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INCOME- TAX HANDBOOK

1921

J. L. OUNSWORTH
Of the Inland Revenue Department

A popular explanation, with numerous examples, of
Assessments, Allowances
Repayments
Super-Tax
Income-Tax and Super-Tax
Tables
Rates of Depreciation Allowed

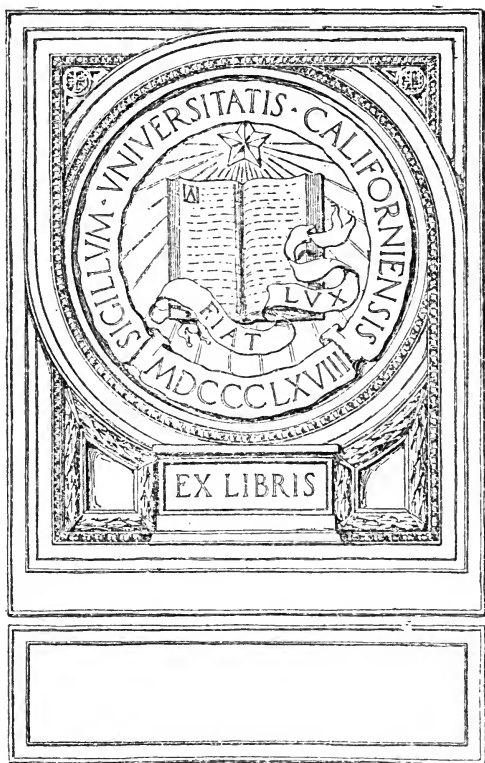
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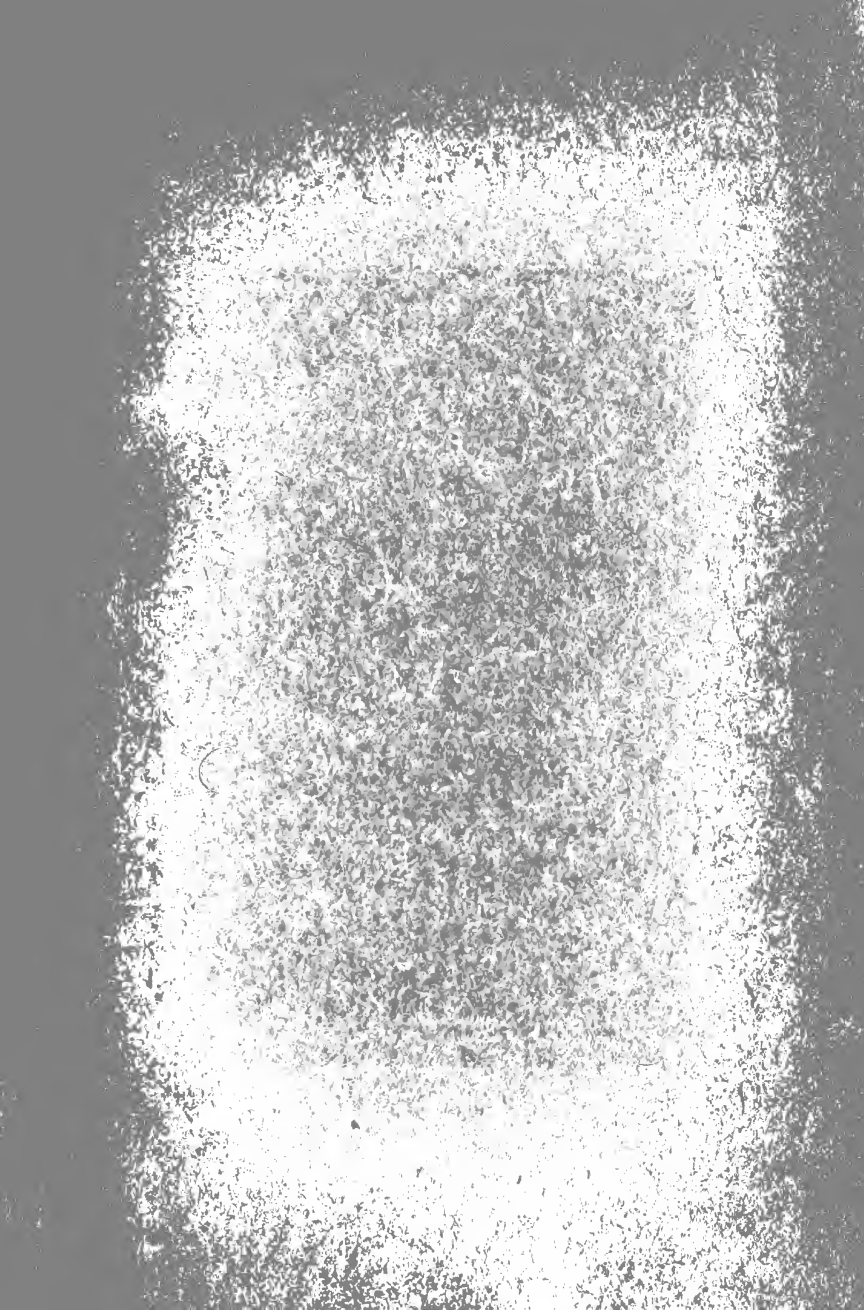


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THE INCOME-TAX HANDBOOK



The Income-Tax Handbook

Assessments, Allowances, Repayments
Super-Tax

Income-Tax and Super-Tax Tables

Rates of Depreciation Allowed

By

J. L. Ounsworth

Of the Inland Revenue Department



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FOREWORD

THE complexity of the Income Tax is a byword, and unfortunately it is to a great extent unavoidable. Simplicity is to be attained only at the expense of inequality and hardship. A simple tax would have to leave out of account the different conditions under which income arises, and the different circumstances of taxpayers in regard to ability to pay.

Many of the most complicated provisions, while necessary in an Act of Parliament, are, however, of no interest at all to the general taxpayer; and it seems possible, by eliminating such provisions, to compile a summary which shall contain everything the general taxpayer wants to know, and at the same time be readily understood and easy of reference.

In this little book an attempt has been made to write such a summary. In addition to the law, the book contains the substance of the principal decisions in the Courts, with notes where considered helpful on the prevailing practice. Although the book is mainly concerned with the law as it now stands, after the drastic alterations of 1920,

a chapter has been added at the end for the benefit of those desiring to make repayment claims, showing the various reliefs in force during the preceding three years.

The masculine is to be read as including the feminine unless this construction is clearly inapplicable.

It only remains to add that the book is in no sense an official publication.

J. L. O.

June 1921.

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CHAPTER I—INTRODUCTORY

The income upon which income-tax is charged is, broadly speaking, income in the ordinary acceptation of the term. It does not include such things as a voluntary allowance from father to son (nor is the allowance a deduction in calculating the father's income), nor a profit which a man might happen to make by selling the house he had lived in for twenty years.

The tax is levied on all persons who are resident in the United Kingdom, and on their entire incomes whether arising within the United Kingdom or abroad. It is also charged upon all income which arises in the United Kingdom although belonging to persons residing abroad. "Persons" includes, of course, companies and corporations.

The income of a particular year is taken to be the amount which accrued in that year. Thus a director's fee for the year ended 31st March 1921, paid on 1st July 1921, is income of the year 1920-21. The income-tax year ends on 5th April.

Classification of income. For the purposes of assessment, income is divided into five classes called "Schedules." The classification is as follows :

SCHEDULE A.

Income arising from the ownership of property (land, houses and other buildings) in the United Kingdom.

SCHEDULE B.

Income from the occupation of land in the United Kingdom.

SCHEDULE C.

Under this Schedule the tax deducted from interest, annuities or dividends paid out of any public revenue, British or foreign, is collected. Schedule C does not affect the ordinary taxpayer directly.

SCHEDULE D.

This is the principal Schedule, and comprises income from trades and professions, employments not assessed under Schedule E, foreign and colonial securities and possessions, interest not otherwise charged and all sources of income not charged under any other Schedule.

SCHEDULE E.

Income from employments under Government, corporations, limited companies and public employments generally, that is, salaries, wages, etc. of employees, including Directors, but excluding manual workers.

These Schedules or classes of income are considered in detail in the ensuing chapters. The last two, being of widest interest, are taken first.

The various forms for making returns, claiming reliefs or making repayment claims are to be obtained at the office of the local Inspector of Taxes, where all information and assistance in connection with the tax are to be obtained. The officials, who are all sworn to secrecy, are paid by fixed salaries. It is their duty to see that the amount of tax legally chargeable is duly paid, but otherwise they

have no interest in the amount of an assessment or repayment.

The law imposes substantial penalties for neglect to make the necessary returns and for making returns or statements which are fraudulent or are made without due care.

CHAPTER II.

SCHEDULE D

Income assessable under Schedule D is divided into six sub-divisions, called "Cases," thus :

Case I. Trades.

- „ II. Professions, employments and vocations.
- „ III. Interest not taxed by deduction.
- „ IV. Securities outside the United Kingdom.
- „ V. Possessions outside the United Kingdom.
- „ VI. Miscellaneous profits not falling under any other Schedule.

Cases IV. and V. are dealt with in Chapter XI.

Employments are dealt with in Chapter IV.

TRADES AND PROFESSIONS.

Basis of assessment. The basis of assessment is the average profits arising in the three taxpayer's years preceding the year of assessment. For example, if a trader is in the habit of making up his books at 31st December each year, he returns his average profits for the three years ended 31st December 1920 on his return for the tax year 1921-22. The profits of his year ended 31st December 1921 are entirely ignored until the time comes to make his

return for 1922-23. Only in the case of a business entirely ceasing during the year of assessment can the actual profits of that year be brought into account.

Exceptions to three years average. The following businesses are assessed on a special basis as shown :

1. **Quarries** of stone, slate, limestone or chalk—on preceding year.

2. **Mines** of coal, tin, lead, copper, mundic, iron and other mines—on the average of the five preceding years. Provided that—

(a) If any such mine has, from some unavoidable cause, so decreased and is so decreasing in annual value that an average of five years will not give a fair estimate, the commissioners may, on proof thereof, assess on the preceding year.

(b) If any such mine has, from some unavoidable cause, wholly failed, the assessment may be discharged.

3. **Ironworks, gasworks, salt springs or works, alum mines or works, waterworks, streams of water, canals, inland navigations, docks, drains or levels, fishings, rights of markets and fairs, tolls, railways and other ways, bridges, ferries and other concerns of the like nature having profits from or arising out of any lands, etc.**—to be assessed on the preceding year.

In assessing concerns under 1, 2 and 3 above, rent, royalties, wayleaves, etc., payable to the owner of the soil or property, are included in the assessment on the concern, and the payer is entitled to deduct tax. When the figures for the prescribed average cannot be ascertained, owing to the possession of the person to be charged commencing within the period, the assessment is to be based upon the average since coming into possession.

What profits are charged. The profits are, broadly

speaking, ascertained on the ordinary principles of commercial trading. No deduction can be made for a share of profits paid to another person nor for such annual payments as interest on loans, ground rents, mineral rents or patent royalties. From all these payments the trader is entitled to deduct tax and so recoup himself for the tax he has paid on them. Once profits are made they are liable to tax, regardless of the use to which they are put (except where specially exempted). For example, it has been decided that the following profits were chargeable in full :

Surplus profits of a dock board which the board was obliged by Act of Parliament to put to a sinking fund.
Profits made by a hospital by letting a hall attached to the hospital for public entertainments, the profits being expended on the hospital.

Profits from publication of a hymn-book by trustees, the profits being applicable only to charitable purposes.

Profits arising from an isolated sale of an asset are not normally chargeable, although it was held that a company which was specially formed to acquire an asset for re-sale was chargeable on the profit made.

How profits are ascertained. In order accurately to ascertain the profits of a business for income-tax or any other purpose, it is essential that a careful account of all business transactions should be kept. The books of account should be balanced at least once a year, and a trading account and balance sheet prepared. In businesses of any importance it is customary for the accounts to be audited, and for a copy of the audited account to be regularly supplied as soon as ready to the Inspector of Taxes. The Inspector examines the accounts, and having been supplied with any further information, agrees with the taxpayer or his accountant as to the taxable profit. The taxpayer then

enters the agreed figure on his return in due course, and the matter is settled without any necessity for adjustment or appeal after assessment. In sending in accounts, the best course is to send copies of the original accounts as they appear in the books, sending at the same time a separate statement showing what adjustments and deductions are considered necessary for income-tax purposes.

Allowable Expenses. The expenses which are allowed are those wholly, necessarily and exclusively laid out for the purposes of the trade or profession. They do not, of course, include any salaries or drawings of the proprietor or proprietors of a business carried on by an individual or a partnership, nor the maintenance of them or their families, nor any other domestic or private expenses. The remuneration of the directors of a limited company is deductible, and is assessed on the recipients. No expenditure of a capital nature is allowed.

The following expenses, amongst others, are allowable :

Bad debts ; also doubtful debts to the extent they are respectively estimated to be bad.

Charitable subscriptions made by an employer to infirmaries, hospitals, nursing homes, and other charities, etc. which directly or indirectly benefit his work-people. Otherwise charitable subscriptions are not allowed.

Compensation Fund Charge under Licensing Act 1904.

Corporation Profits Tax—treated like Excess Profits Duty.

Depreciation. See Chapter III.

Excess Profits Duty (except Duty charged on profits of sale of trading stock otherwise than in the ordinary course of trade). The amount paid in respect of the profits of the period under consideration.

Hire-purchase instalments—the proportion which represents simple hire, but not the balance.

Interest paid without deduction of tax on bank overdrafts, overdue accounts, bills, etc.

Land occupied for the purposes of the business and assessed Schedule B. The amount of the Schedule B *assessment* (not the tax) can be deducted from the profits otherwise assessable Schedule D. See also "Rent of business premises" below.

Legal and professional charges necessary in the ordinary running of the business, but not those incurred in connection with extensions, improvements, increases of capital, etc.

Loss in trade incurred by owner of a business who accepts the risk of loss in lieu of insuring.

Management expenses of life insurance and investment companies and savings banks (see Chapter VIII.—Reliefs).

Obsolescence of machinery and plant (see Chapter III.).

Rent of business premises. If occupied **solely** for business purposes, the whole is allowed. If partly used as a dwelling-house, a proportion, not exceeding two-thirds, is allowed.

If the premises are owned by the person carrying on the business, a similar deduction is allowed, except that for the rent the net Schedule A assessment or a proportion thereof, as the case may be, is substituted. In the case of mills, factories and other similar premises, the **gross** Schedule A assessment is deducted instead of the net (in Scotland the gross assessment less owners' rates). Any ground rent, in the case of premises owned by the occupier, is not allowed, tax being deducted from the ground rent by the owner of the property.

Where premises are occupied rent free without the power of letting by a servant of the taxpayer (*e.g.* a bank manager's residence), the full rent or

Schedule A net assessment is allowed as a deduction to the employer.

Removal expenses of stock, whether forced or voluntary removal. Where the removal has been forced on the trader, and is not a voluntary removal for business improvement or extension, other expenses of removal are allowed.

Renewals of implements, utensils, fittings, machinery, plant or other articles employed in the business (but not buildings). Where a depreciation allowance is made on any of these classes of articles, renewals are not allowed, as otherwise there would be a double allowance. The amount allowed is the cost of a new article similar to that replaced ; if the new article is bigger or better than the old was originally, only a proportion of the cost of the new is allowed.

Repairs of business premises.

Research Associations. If approved by the Department of Scientific and Industrial Research, contributions (not being entry fees or special levies for capital purposes) are allowed.

Superannuation Funds. An irrecoverable contribution by an employer to a recognised fund for the benefit of his workpeople is allowed. Contributions by an employee to secure a future pension also allowed in the same way as life insurance premiums ; in the event of his contributions being returned he is assessed for them.

Trade Associations. If the association has entered into arrangement with the Inland Revenue to pay tax on its profits or surplus, if any, contributions are allowed. Otherwise they are not allowed unless the taxpayer can prove the money has actually been spent by the association on objects which would have been admitted if the money had been so spent by the taxpayer him-

self. A contribution to indemnify members against loss through deficiency of output caused by strikes is *not* allowed.

Doctors and dentists. A doctor or dentist usually carries on his profession at his private house, and his household expenses are thereby increased. He is entitled to deduct so much of the increased expense as is necessary for the purposes of his profession as for instance—

Wages and board of an additional servant, or part cost of same, if necessary for attending to patients and callers.

Proportion (not exceeding two-thirds) of rent rates and house-duty on the house, in respect of the part used solely or mainly for professional purposes, as surgery, consulting-room, etc. Where the doctor or dentist owns the house a proportion of the gross Schedule A assessment can be claimed in lieu of rent.

A deduction can also be claimed for—

Cost of running motor car—chauffeur's wages and board, petrol, tyres, garaging, insurance, cost of replacement of worn-out car, etc. If the car is used only partly for professional purposes, only a proportion of these expenses may be claimed.

Salary and board of locum tenens.

Cost of drugs.

Replacement and repair of instruments and utensils.

Cost of telephone, or proportion if partly used for private purposes.

Expenses not allowable.

Annual payments generally, except rents as above.

Capital expenditure of all kinds in connection with, for instance, extensions or improvements, increase or

reduction of capital of a company, raising or paying off debentures, loans or mortgages.

Capital withdrawn from the business.

Depreciation of land, buildings, leases, etc. (but an allowance for depreciation on certain assets is made—see Chapter III.).

Exhaustion of minerals.

Improvement of premises, etc.

Income-tax.

* Interest on capital, annual interest.

Licence—cost of application for new (Brewers).

Life insurance premiums (but an allowance can be claimed—see Chapter VIII.).

Loss recovered under insurance or contract of indemnity.

Loss not connected with or arising out of the trade.

* Mineral royalties, rents or wayleaves.

Mines—boring, sinking, deepening shafts, searching for new deposits of minerals. Drifting past a fault is allowed.

* Patent Royalties.

Preliminary expenses of a company.

Purchase of property—expenses in connection with.

Sick, accident and provident contributions—except proportion applicable to death risk, which is allowed as life insurance (see Chapter VIII.).

Travelling expenses between residence and place of business.

Trust—expenses of management of.

Accounts. The method of calculating profits for income-tax purposes from accounts can perhaps best be illustrated by taking a specimen account, say a grocer's trading account, as given on next page.

* Income-tax is deductible from these items on payment.

<i>Dr.</i>		<i>Year ended 31st December 1920.</i>		<i>Cr.</i>	
Stock at beginning	£			£	
of year	- -	500	Sales	- -	10,000
Goods purchased	-	8,500	Stock at end	-	750
Carriage on goods	-	415			
Wages	- -	520			
Rent and Rates	-	200			
Gas and Water	-	50			
Income-tax	-	45			
Bad debts actually					
written off	-	20			
Profit	- -	500			
		<u>£10,750</u>			<u>£10,750</u>

Stock should be taken at cost or market price, whichever is the lower.

The adjusted profits might be as follows :

Profit per account	- - - -	£ 500
Add Wages of self included in £520	- - -	208
One third rent and rates (assuming he lives over the shop)	- - - -	67
Proportion of gas and water applicable to private house, say	- - - -	8
Income-tax	- - - -	45
Goods from shop used by self and family and not paid for (cost price) say	- - -	52
Adjusted profit to come into average for income-tax year 1921-22	- - -	<u>£880</u>

If the account made up is a cash account (i.e. shows actual cash received and expended) adjustments will be necessary for variations in the tradesman's debts. Supposing he owed his wholesalers £400 on 1st January and £500 on 31st December, his profits will require to be

reduced by £100; if his customers owed him £250 on 1st January and £300 on 31st December his profits should be increased by £50.

In the case of professional men in established practices, a cash account is often accepted without adjustment, as the adjustments about balance each other. In a cash account there can, of course, be no debit for bad debts, since only actual cash received is credited.

NEW BUSINESS, CHANGE OF OWNERSHIP, PARTNERSHIP.

New business. A business which commenced within the year of assessment is assessed on the actual profit of the year. The next year's assessment is based upon the first year's profit. The assessment for the following year is based upon the one or two complete years (as the case may be) preceding the year of assessment; and so on until the three years' average is obtained. Until the assessment is based on three complete years prior to the year of assessment, the taxpayer is entitled to have the assessment reduced to the actual profit of the year, should that be less than the assessment. Example: Business commenced 31st December 1919; profit first year to 31st December 1920, £500, second year to 31st December 1921, £600, third year to 31st December 1922, £450.

Assessment for year ended 5th April 1920,	£
a quarter of £500 - - - -	125
Assessment for year ended 5th April 1921	500
Assessment for year ended 5th April 1922	500
Assessment for year ended 5th April 1923,	
a half of 500 + 600 - - - -	550 *
Assessment for year ended 5th April 1924,	
a third of 500 + 600 + 450 - - -	517

* This assessment will be reduced on appeal to £450, the profit of the year ended 31st Decr., 1922.

Business ceasing. Assessment of year of cessation may be reduced to the actual profits of that year. If the total tax paid for the three previous years exceeds the total amount which would have been paid had the assessment been made for each of those years on the actual profits arising in each year, the excess can be reclaimed.

Succession. If the business passes to a successor, the assessment for the year of change is apportioned between the respective proprietors, and in calculating the amount of subsequent assessments the change of proprietorship is ignored. If, however, the successor can show that the profits have fallen short from some specific cause, since or by reason of the succession, he can have the assessment reduced to the actual profits of the year. This applies in the case of a firm turned into a limited company, and the profits falling short of the assessment by reason of the payment of directors' fees.

Partnerships. The profits are assessed jointly in one sum. A change of partnership is treated as a succession, as above.

A partner in a mine may, however, be assessed separately, and may set off a loss in one such concern against a profit in another.

A person carrying on two trades may set off a loss in one against a profit in the other.

INTEREST, ANNUITIES AND OTHER SIMILAR RECEIPTS NOT TAXED BY DEDUCTION.

This heading includes all interest, annual or otherwise, discounts such as discounts received on maturity of Treasury Bills, interest from savings or other banks, share and deposit interest from co-operative societies, dividends from Government and Corporation securities from which tax is not deducted (this applies to most small dividends from

these sources, as well as to all dividends on Government tax-free securities). The dividend warrants of Government securities will show whether tax has been deducted. Interest on 4 per cent. War Loan or Bonds "tax-compounded" is, of course, not assessable, nor is interest on War Savings Certificates.

The amount to be returned is the amount received or accrued in the year preceding the year of assessment. Where money has been borrowed from a bank, a member of the Stock Exchange or a discount house to buy War Loan or similar securities, the interest paid to the bank, etc., may be deducted from the dividend from the War Loan, etc.: both sums should be shown on the return. No assessment is made the first year interest, etc., is received.

Interest is assessable though the recipient may actually have made a loss in business. As to the method of dealing with such loss see Chapter VIII.—"Reliefs."

MISCELLANEOUS RECEIPTS NOT ASSESSED UNDER ANY OTHER SCHEDULE.

This covers transactions which, whilst not constituting a trade, are productive of profit, as for instance, green fees at a holiday golf club, letting furnished houses.

The basis of assessment is in the discretion of the Commissioners—usually the profit arising in the actual year is taken.

NOTES AS TO ASSESSMENT OF VARIOUS SOURCES OF INCOME.

Betting profits are chargeable if betting is pursued as a vocation. See also above paragraph.

Building Society (permanent) is assessable on interest received from borrowers, included in their periodical pay-

ments, and is entitled to deduct tax from interest paid to lenders. In practice, however, to save numerous repayment claims, an arrangement is usually entered into with the Inland Revenue under which tax is paid on only a proportion of the interest. Particulars of such arrangements may be obtained from the Inspector of Taxes.

Cemetery. No deduction is allowed for the estimated cost price of grave spaces sold, this being a capital payment. Where a lump sum is paid to the cemetery company for the upkeep of graves in perpetuity, a deduction is allowed for the capitalized value of the services necessary to earn the receipts.

Furnished house letting. *Deductions not allowed*—rent of another house, apartments, etc. for the proprietor to live in. *Deductions allowed*—rent and tenants' rates, servants' wages (if left), wear and tear of furniture for period of let; agent's charges for letting. If the house is used entirely for letting the whole year's rent, rates, etc. can be deducted; if owned by the person letting, the assessed annual value under Schedule A can be deducted in lieu of rent.

Golf club. Assessable on profits derived from visitors' "green fees." From these profits is deducted the proper proportion of the expenses of upkeep and of the Schedule B assessment on the course.

CHAPTER III.

DEPRECIATION AND OBSOLESCENCE ALLOWANCES

Depreciation. An allowance may be made of such deduction as the Commissioners consider just and reasonable as representing the diminished value by reason of wear and tear during the year of any machinery or plant used for the purposes of the trade, and belonging to the person by whom it is carried on.

Where machinery or plant is let to the person by whom the trade is carried on, on the terms of his being bound to maintain the same and deliver it over in good condition at the end of the lease, the same allowance is given as if the trader owned the machinery or plant. When under the terms of the lease the burden of maintaining and restoring falls upon the lessor, he is entitled to claim the depreciation allowance out of his rent by way of repayment claim, to be made within 12 months of the year of assessment.

When the aggregate of the depreciation allowances to the present owner of the machinery equals its cost to him, plus any capital expenditure by way of renewal, improvement or reinstatement, the depreciation allowance ceases.

Where depreciation on machinery is allowed, the cost of **renewals** is, of course, not allowed as an expense as

well : small renewals of parts that do not destroy the identity of the machine are, however, allowed. But when a machine is thrown out of use through becoming obsolete, and replaced before the depreciation allowances given on the machine have totalled up to the cost less sale price, then the difference is allowed as an expense (**obsolescence allowance**), provided at least that sum has been spent on a replacement. Example :

	£
Steam hammer cost in 1910 - - -	500
Scrapped in 1920 and sold for - - -	50
	<hr/>
	£450
Depreciation allowances given for income- tax purposes, say - - - - -	200
	<hr/>
Balance due as obsolescence allowance -	<u>£250</u>

The usual **method of calculating depreciation** is by taking a percentage of the cost less previous depreciation allowances. Any additional capital expenditure on machinery and plant is added in year by year, and any sales deducted. This is the method of allowance on "written-down value." The value upon which the allowance is calculated is the value as subsisting at the commencement of the year.

The percentage rate of depreciation to be allowed is usually settled by agreement with the Inspector ; failing such agreement the taxpayer is entitled to appeal to the Commissioners. Of late it has become the practice for particular industries to arrange with the Inland Revenue at Somerset House rates to apply to that particular industry throughout the country, subject always to the acquiescence of the local Commissioners. A list of such agreed rates up to date will be found in the Appendix (page 122).

By a recent provision of the law, any considerable body of persons engaged in any class of trade or business may

apply to the **Board of Referees** to determine the depreciation allowances to be given in that trade, etc. The application should in the first place be addressed to the Secretary (Taxes) Inland Revenue, Somerset House, London, W.C.2. The Board of Referees is a large, independent body consisting of prominent business and professional men meeting in London.

Example showing method of calculation of depreciation allowance on written-down value :

Business commenced 6th April 1920.	£
Cost of machinery and plant at 6th April 1920 - - - - -	5,000
Depreciation allowance for year to 5th April 1921 (say) 5 per cent. - -	250
	<hr/>
	£4,750

<i>Year to 5th April 1921.</i>	£
Add Cost of additional machinery and plant during year - - - - -	750
Less Sales of machinery and plant during year - - - - -	300
	<hr/>
	450
	<hr/>
	£5,200

Depreciation allowance for year to 5th April 1922, 5 per cent. - - -	260
	<hr/>
	£4,940

<i>Year to 5th April 1922.</i>	
Add Additions - - - - -	£200
Less Sales - - - - -	500
	<hr/>
	300
	<hr/>
	£4,640

Depreciation allowance for year to 5th April 1923, 5 per cent. - - -	£232
--	------

The amount to be deducted as "Sales" is the written-down value of the machine, etc. sold, *not* the price realised

by the sale. The balance remaining is then the written-down value of the machinery, etc. still in use. Any sum allowed for obsolescence is *not* deducted from the capital value, as it is included in the deduction for "Sales."

The obsolescence allowance is a deduction in ascertaining profits, but the depreciation allowance is allowed from the assessment, thus :

Assessment, Schedule D, year 1922-3,	
based on average of three years ended	
5th April 1922 before deducting de-	
preciation	- - - - - £2,000
Less depreciation allowance as above	- 232
Net assessment	- - - - - £1,768

Depreciation on Mill and Factory Buildings. Where a trader carries on business in any mills, factories or other similar premises owned by him he is entitled to deduct in calculating his Schedule D assessment the full annual value assessed under Schedule A **including** the one-sixth deduction allowed for repairs, etc. (in Scotland the gross Schedule A assessment less owner's rates). If the mills, etc. are situated abroad and therefore not assessed Schedule A, he is entitled to a deduction of one-sixth the annual value, estimated on Schedule A rules. The allowance is estimated in the same way in the case of concerns such as mines, quarries, waterworks, etc. where there may be no separate Schedule A assessment.

The words "mills, factories or other similar premises" are taken as applying only to buildings containing machinery moved by steam, electricity, hydraulic or similar power. Such buildings through the operation of this provision get a depreciation allowance equal to one-sixth of their annual value.

CHAPTER IV.

EMPLOYMENTS

Employments are divided into two classes :

(a) All Public Employments ; for instance, employments under Government Departments, corporations, education authorities, limited companies, ecclesiastical bodies, and public bodies generally. These are assessed under **Schedule E**.

(b) Other employments, under private firms or individuals. These are assessed under **Schedule D** on the three years' average in the same way as trades and professions.

This chapter deals with **public employments**. For other employments, see Chapter II. Practically the only difference in treatment is that public employments (a) are assessed on the actual year, and private employments (b) on the average of the preceding three years.

What is assessed. The amount to be assessed is the total emoluments of the office or employment, whether salary, fees, perquisites, wages, bonus, commission or overtime. Where the employer provides free board and lodging, clothing, house, gas, coals or similar benefits, these are not taken into account in fixing the assessment of the employee. If, however, the employer pays the employee a sum of money in lieu, that sum is assessable as part of the remuneration.

Attendant allowances paid to disabled officers and men in addition to disability pensions are *not* charged.

How the assessment is calculated. The basis is the income arising in the actual year of assessment. Perquisites may be estimated either on the previous year, or on the average of the three previous years, ending on 5th April or on such date as the accounts of the perquisites have been usually made up. Perquisites are such profits as arise in the course of exercising an office or employment from fees or other emoluments: they do not include a bonus paid by the employer. Subordinate officials of a limited company, such as clerks, travellers and warehousemen are allowed the benefit of the three years' average instead of being assessed on the actual year.

In the case of a **change** the duty may be apportioned between the successor and his predecessor (or his executors), or a new assessment may be made. If the employment ceases, the assessment will be amended as necessary. Should the taxpayer become entitled to further remuneration after he has made his return for the year, an additional assessment is made to raise the assessment to the actual receipts.

Pay derived from the Government is subjected to tax by deduction. Railway officials are assessed by the Special Commissioners, who assess the railway company, which deducts tax from the individual officials.

Expenses. In the great majority of cases the person assessable under Schedule E has no expenses in earning the income, but any money expended wholly, exclusively and necessarily in the *personal* performance of the duties of an office or employment is allowed as a deduction. The expense of travelling between home and place of business is not allowed. As regards sick, accident and provident contributions, see Schedule D—"Deductions not allowable" (page 11).

CHAPTER V.

SCHEDULE A (OR PROPERTY TAX)

INCOME FROM THE OWNERSHIP OF LANDS, HOUSES AND BUILDINGS IN THE UNITED KINGDOM

METHOD OF COMPUTING THE AMOUNT TO BE ASSESSED.

All lands, houses and buildings in the United Kingdom are charged under Schedule A. Certain profits arising out of lands (*e.g.* mines, quarries, waterways) are now transferred to Schedule D (see page 5). All income from property outside the United Kingdom is assessed under Schedule D (see Chapter XI.). This chapter deals only with lands, houses, etc., assessable under Schedule A.

General Rule. The basis of assessment is the annual value. The annual value is the rent by the year at which the property is let if let at the full rent it will fetch in the open market, and if such rent has been fixed by agreement within the seven years preceding the year of assessment. If not so let—if, for instance, it is occupied by the owner or his servant, or let to a relative on favourable terms—the annual value is the full rent at which the property is worth to be let by the year in the open market—what a tenant taking one year with another may fairly and reasonably be expected and required to pay. The said full rent is fixed on the basis that the tenant pays the usual tenant's

rates and taxes and the landlord does the repairs. If the landlord pays tenant's rates, such rates are deducted from the rent to ascertain the annual value—the basis of deduction being the amount of rates so paid in the year preceding the year of assessment. Similarly, if owner's rates are paid by the tenant, the amount so paid is added to the rent.

In **London**—over the area to which the Valuation (Metropolis) Act, 1869, applies—the value on the Valuation List for rating purposes finally fixes the annual value for Schedule A. Similarly in **Scotland**, where the Inspector of Taxes holds the office of Lands Valuation Assessor, the Valuation Roll is conclusive: where the Inspector is not the Assessor the Roll is not conclusive, but it is followed, except in rare cases. In Scotland, where the landlord bears rates which are in England borne by the tenant, or rates the like whereof are not chargeable in England, a deduction of the amount so borne is made.

Machinery or other fixtures, fixed to the property in such a way as to pass as landlord's fixtures in a lease of the premises, must be taken to be part of the premises for the purpose of ascertaining the annual value.

In the case of **properties let at weekly or monthly rentals**, the annual value is usually slightly less than the total rental receivable over the year. The annual value is the rent the property is worth by the year, and as a rule the landlord would accept a smaller rental from a yearly tenant on account of less trouble and the risk of having the place empty.

Special conditions of tenancy. Where the tenant undertakes to bear the cost of improvements or repairs or pays a premium for a lease, the rent does not fix the annual value, which is ascertained according to the general rule,

viz. the full yearly rent the property is worth in the open market without special conditions. The same rule applies where the lease was made more than seven years before the commencement of the year of assessment or where there is a restriction on the tenant, as in the case of a "tied" public-house. When the lease expired within the seven years preceding the year of assessment and the tenancy has been continued on the same terms from year to year, the rent is usually followed. Where under a lease the tenant undertakes to make improvements, and it is proved that the rent was, in view of the improved value expected to be realised at the cost of the tenant, based upon an estimate of the mean annual value throughout the term of the lease, and the rent, so computed, is fixed at the same amount each year, then the annual value throughout the term of the lease shall be taken to be the amount of the rent.

In any dispute as to the evidence necessary to determine the annual value, the Commissioners are the judges. The poor-rate is usually taken into account where there is not a full rent paid, but it is not binding and is frequently departed from.

RULES FOR ASSESSING PARTICULAR PROPERTIES

Sporting Rights. (a) When the land and sporting are both in the occupation of the owner, or

(b) The land is occupied by the owner, who lets the sporting, or

(c) The land and sporting are let together (even though the tenant sublet the sporting).

Then the land is assessable under Schedules A and B on its full annual value as enhanced by the sporting rights.

(d) When the land and sporting are let separately, the sporting rights are assessed under Schedule A on the profit

after paying expenses, such as keepers' wages, etc. No assessment is made under Schedule B.

(e) When the land is let but the sporting retained by the owner, no assessment is made under either Schedule A or B.

In Scotland, in case (b) the sporting rights are assessed under Schedule A only.

The assessments on the following properties are based on the profits of the year or years preceding, as indicated :

Tithes in kind—average of three preceding years.

Dues and money payments in right of Church or by endowment or in lieu of tithes (not being tithes arising from lands), and all teinds arising in Scotland—three years average.

Tithes from lands compounded for, and all rents and other money payments in lieu of tithes from lands (except Tithe Rentcharges under the Tithe Act, 1836)—preceding year.

Profits from **Manors** and other royalties—average of seven preceding years.

Fines payable on any demise of lands or tenements (not being part of a manor or royalty demisable by the custom thereof)—preceding year. If the fines have been applied as productive capital, on which a profit has arisen or will arise which is otherwise chargeable for the same year of assessment, the amount so applied may be exempted from assessment. Lodging the fines on temporary bank deposit is not sufficient to obtain exemption: there must be an element of permanency about the investment of the funds.

All other profits from lands not in the actual possession or occupation of the person to be charged—average of such number of years as appears to the Commissioners, on the statement of the person to be charged, to be fair and equitable.

Where the prescribed average cannot be ascertained owing to the recent acquisition of the property by the present owner, the average from taking possession shall be taken.

Tithe Rent charges under Tithe Act, 1836. Where the owner of such rentcharge, or of any other rentcharge in lieu of tithe, makes a return, he may be assessed direct on the amount arising in the year of assessment, less any expenses actually and necessarily incurred in its collection, and also less the amount charged on the tithe in the preceding year for public local rates, taxes and assessments.

METHOD OF MAKING ASSESSMENTS

Property is assessed where it is situated. The tenant is required to make a return of the rent and other conditions of tenancy, and if necessary to produce his lease.

The procedure adopted has hitherto been to make a complete revaluation of all property every five years. Sometimes pressure of circumstances has necessitated a postponement of this quinquennial revaluation—for instance, a revaluation was due to be made in 1915-16, but owing to the war and shortage of staff it has still to be made. The values fixed in the revaluation year are legally binding for the following year so long as the property remains the same; and each year until the next revaluation the annual Finance Act enacts that the values of the previous year shall be adopted for the current year. In practice, however, when the annual value in a subsequent year is proved to be less, the assessment is reduced, though no increased assessment is made where the value goes up.

With certain exceptions, Schedule A tax is charged upon the occupier for the time being, and can, if necessary, be distrained for on the property charged. Every person having the exclusive use of the property is deemed to be

the occupier. The occupier is entitled to deduct the tax from the next payment of rent, and the owner is in turn entitled to deduct tax from any payments he has to make out of the rent (such as mortgage interest). Tax is leviable upon the occupier for the time being without any new assessment. A new occupier is liable to pay arrears left unpaid by a former occupier, which he can deduct from any subsequent payment of rent ; this is, however, subject to the following exceptions :

(a) An owner-occupier who quits occupation is liable for the tax up to the date of quitting so far as such tax falls to be ultimately borne by him.

(b) A new occupier not to be charged for tax which should have been levied upon and ultimately borne by any former occupier.

In the ordinary case the person who *ultimately* bears the tax is the landlord, and changes of occupancy are ignored.

Every property is assessed whether occupied or not, but if any house or building is unoccupied for any part of the year, tax in respect of that period is discharged : no similar allowance is made in the case of lands. If, after making an assessment, lands are divided, the Commissioners are to determine the proportions of the tax to be paid by the respective occupiers.

In the following cases the **landlord is assessed instead of the occupier** :

(a) Dwelling-house occupied by a tenant which, with the buildings, land, etc., occupied therewith, is of less annual value than £10.

(b) Lands and tenements let for a period less than a year.

(c) House or building let in different apartments and occupied by two or more persons severally : such house to be assessed as one house.

In these cases, in default of payment by the landlord, tax may be recovered from the occupier or occupiers respectively, who may deduct the tax from their rent.

In any other case the landlord or immediate lessor may, if the local Commissioners think fit, be assessed as occupier on giving notice to the Clerk to the Commissioners by 31st July in the year of assessment. The assessment will then continue to be so made until cancelled in writing. The right still remains to recover the tax upon the premises charged by distraint.

When a house is divided into distinct properties and occupied by distinct owners or their respective tenants, such properties are to be separately assessed on the respective occupiers.

When a house is occupied by a servant of the owner at the pleasure of the owner, the owner is deemed to be the occupier (*e.g.* bank manager's or police superintendent's house). A house or apartment belonging to the Crown and in the occupation of any officer of the Crown (except apartments in the royal palaces) is charged on the occupier.

Tax on any house occupied by the accredited Minister of any foreign State is charged on the landlord or immediate lessor.

REPAIRS ALLOWANCE

A deduction from the Schedule A assessment, known as the Repairs Allowance, is made as follows :

On lands, including farm-houses and farm buildings, one-eighth of the annual value, including tithe.

On all other houses and buildings, one-sixth of the annual value. Where, however, the tenant does all repairs on a long lease, the allowance is only so much as will bring the assessment down to the rent payable.

Where the actual expenditure (on the average of the five years preceding the year of assessment) on repairs and maintenance of property exceeds the flat rate allowance, repayment of tax on the excess can be claimed. See "Maintenance Claims," Chapter VIII.

OTHER DEDUCTIONS AND ALLOWANCES

The following deductions are allowed :

Land Tax. The full amount *charged* on the property, though the whole or part of such amount may have been remitted through the owner's income not exceeding £160 or £400.

Drainage Rate. The amount charged on the lands, etc., by a public rate or assessment in respect of draining, fencing or embanking.

Rates on Tithe-Rentcharge. Amount paid for public local rates, taxes or assessments charged in respect of a rentcharge under the Tithe Act, 1836, for the year of assessment. When the rentcharge is assessed direct on the owner (as is usually the case), the deduction is the amount paid for the preceding year. The deduction is the total amount *paid*, including the moiety paid by the Exchequer.

Temporary remission of rent on account of bad harvest, etc. A corresponding reduction of the assessment is made.

Loss by Flood or Tempest. Where an abatement of the rent of lands is granted on account of loss by flood or tempest a similar abatement of the Schedule A assessment is made. The Commissioners may make a corresponding abatement of the assessment in like circumstances where the owner is also occupier.

Repair of Sea Walls. The amount expended by the owner on an average of twenty-one preceding years on the making and repairing of sea walls or embankments necessary for the preservation or protection of the lands against the sea or a tidal river.

Tenths, First Fruits, Duties and Fees on Presentations paid by any ecclesiastical person within the preceding year.

Procurations and Synodals—on average of preceding seven years.

Repairs of Colleges, etc. Amount expended in preceding year on repairs of any college, church or chapel or chancel of a church, or of any college or hall in any university in the United Kingdom by any ecclesiastical or collegiate body, rector, vicar or other person bound to repair the same.

Lost rent, through tenant defaulting.

DEDUCTION OF SCHEDULE A TAX FROM RENT

As a general rule the tenant pays the tax. He is entitled to deduct the tax paid from the *next* payment of rent: if he omits to deduct it from the next payment his right of deduction lapses. The full amount paid can be deducted provided it does not exceed the tax on the actual rent paid, less tithe if separately assessed.

In **Scotland**, where tenancies are almost always for a year to 15th May, the tax deductible from the rent or rentcharge for the period ended 15th May is the tax at the rate in force at the commencement of that period.

Where a **public-house** licence-holder is entitled under the Licensing Act, 1904, to deduct from his rent a proportion of the amount paid for Compensation Fund Charge, he is still entitled to deduct tax from the full rent.

In case of **change of ownership** where the previous owner

was not also occupier, tax is payable by the tenant and deductible in the ordinary way : thus it falls upon the new owner. The apportionment of the tax between present and past owners is a matter of arrangement between the parties when the sale is effected.

Disputes regarding deduction or apportionment of tax are decided by the local Commissioners.

DEDUCTION OF TAX FROM "CHARGES" ON PROPERTY

Where the property is subject to the payment of any annual sum (*e.g.* mortgage interest), the owner, having paid tax on the property direct or by deduction, may deduct tax from such annual payment at the rate or rates of tax in force whilst the payment was accruing due. If a deduction from the Schedule A assessment has been made which belongs to such annual payment, the deduction of tax is to be restricted accordingly : for example, when tithe rentcharge is included in the assessment on lands, and a deduction from the assessment made for rates on the tithe rentcharge, the deduction of tax from the tithe rentcharge will naturally be on the tithe rentcharge less rates. "Annual sum" means any yearly interest, annuity, rentcharge (whether under the Tithe Act, 1836, or otherwise), fee farm rent, rent service, quit rent, feu duty, teind duty, stipend to a licensed curate, or other annual payment reserved or charged upon any lands, houses, buildings, etc.

Interest paid to building societies is subject to deduction of tax, but, in order to save numerous repayment claims, special arrangements have been approved for dealing with these societies (see page 15).

EXEMPTIONS FROM TAX UNDER SCHEDULE A

The following properties are exempted, either by law or practice. In each case any "charges" (*e.g.* mortgage

interest, ground rent) and also any portion occupied by any person paying rent, are retained in assessment :

Assize Courts and similar Courts of Justice. Municipal buildings only occasionally used as a Court of Justice are not exempt.

Charitable institutions—properties owned by and let to tenants—see page 69. The exemption does not extend to properties owned by charities and occupied by them for offices.

- * Dispensaries supported by voluntary contributions.

- * Hospitals and infirmaries of a charitable nature.

- * Libraries—free public.

- * Literary and scientific institutions—buildings owned by and used solely for the purposes of such institutions, in which all instruction is free.

- * Lunatic asylums, county or borough.

Police stations and similar buildings essential to the general government of the State. Public slaughter-houses are not exempt.

Public parks and recreation grounds used solely by and held in trust for the public.

Public shelters, with lavatory accommodation, where receipts less than expenditure.

Schools—council schools (board schools in Scotland), denominational schools, public schools.

- * Universities, colleges and halls in.

Workhouses and almshouses.

Worship, places of public—mission rooms and other places used exclusively for divine worship: parish halls, parish clubs, church institutes and other similar buildings entirely used for religious objects.

*In these cases apartments occupied by any officer whose total income (exclusive of the value of the apartments) exceeds £150 are assessed.

CHAPTER VI.

SCHEDULE B. PROFITS FROM THE OCCUPATION OF LAND

HOW THE PROFITS ARE CALCULATED

PROFITS from the occupation of land are assessed under this Schedule. Schedule B is charged on all property assessed under Schedule A—that is, on all property in the United Kingdom—except houses and buildings. Farm-houses and buildings occupied by a tenant farmer are, however, included in the Schedule B assessment on the farm.

The profits which are assessed under Schedule B are taken at

- (a) **Twice the annual value** under Schedule A in the case of lands occupied solely or mainly for husbandry.
- (b) The **single annual value** under Schedule A where not so occupied, and the use of the lands for purposes other than husbandry is not unreasonable. If it is unreasonable, double annual value is charged. The Board of Agriculture decides the question of unreasonableness in cases of dispute.

The annual value under Schedule A which is taken as a basis is subject to the following **modifications** and remarks :

Lands let on an "improving" lease (see page 24)—the annual value to be the full rent the land was worth at the commencement of the lease.

Temporary remission of rent through bad harvest, loss by flood or tempest, etc.—the Schedule A value is reduced accordingly and the Schedule B assessment is double the reduced Schedule A. Where the landlord is an infant or other incapacitated person who cannot consent to a remission of rent, the Commissioners may make an allowance according to the remission which in their opinion ought to have been made.

Farm labourers' cottages are excluded from the annual value in calculating the Schedule B assessment.

Tithe rentcharge is included, although separately assessed Schedule A.

The following profits are outside the ordinary rules of Schedule B :

Nurseries and market gardens. Assessed under Schedule B, but profits calculated according to the rules of Schedule D in the same way as ordinary traders.

Cattle dealers and milk sellers. Where the lands occupied by such persons are insufficient for the keep of the cattle brought on to the lands, so that double the annual value affords no just estimate of the profits, the Commissioners may require a statement of the profits and charge such further sum as, together with the charge under Schedule B, will make up the full sum wherewith the person ought to be charged. Such further charge is made under Schedule D, Case III., on the profits of the preceding year.

Stallion fees. Where a farmer owns a stallion which earns considerable fees from serving mares on other farms, the profits so derived are separately assessable

under Schedule D in addition to the Schedule B assessment.

Live stock breeders and buyers renting grazing lands.

When the lands are taken for less than a year, as is usually the case, the breeder is not the "occupier," and he is not assessable Schedule B for those lands. Any profits he makes out of such lands are assessable Schedule D, Case VI.

The rules of Schedule A for charging the occupier apply generally to Schedule B also.

Any person occupying lands for husbandry only and ordinarily assessable under Schedule B may **elect to be assessed Schedule D** instead of Schedule B. In that case he must give written notice to the Inspector by 5th June in the year of assessment (5th August in Scotland). The notice must be delivered personally or sent by registered letter. It holds good for one year only, and must be renewed yearly if assessment under Schedule D is still desired.

If a person who occupies lands for husbandry only shows at the end of the year of assessment to the satisfaction of the Inspector or the local Commissioners that his **profits were less than the Schedule B assessment**, he can have the assessment reduced to the actual profits and repayment made if the tax has been paid. The necessary accounts should be lodged as soon after the end of the year as possible. If the farmer's usual year ends only a little after the end of the income-tax year, the accounts will be accepted as showing the profit for the year of assessment. Otherwise the farmer's year ending prior to the end of the income-tax year of assessment is taken.

FARM ACCOUNTS

The notes on accounts for Schedule D on page 11 will be found useful in connection with farm accounts. The

principal difficulties in relation to accounts which are peculiar to the farmer arise out of the valuation of stock and tillages, and his habits of doing business largely by cash and of keeping no proper books. These and other difficulties are fully and clearly dealt with in a pamphlet on *Farmers and the Income Tax* issued by the Board of Agriculture.

Let us suppose a farmer makes up his mind to start to keep books—with no more trouble than is necessary. His first task is to value all his live and dead stock, produce, seeds, forage, etc. The basis of valuation should be cost, or market value if lower than cost; but there is no means of ascertaining the total cost of stock reared or fattened on the farm or of crops grown there. In practice any reasonable basis of valuation is accepted provided it is consistently followed every year. The farmer we are considering will probably find the simplest way is to value anything which has been purchased in its present condition (dead stock) at cost, and live stock and harvested crops at current market price less, say, 5 per cent. for cost of marketing. Implements, tools, carts, etc., may be valued at cost less reasonable depreciation. For instance, if a machine costs £40 and has a life of ten years, £4 depreciation must be deducted for each year of its life. Tillages, growing crops, unexhausted manure, etc., can be left out of the account if the farmer is in a position to certify at the end of the year that the value at beginning and end did not differ materially, or that there has been an increase or decrease, particulars of which he is able to give. Otherwise it is necessary to value these also.

From the date of this stock-taking the farmer should begin to keep a careful account of all receipts and payments, and follow the instructions for keeping and balancing accounts given in the Board of Agriculture pamphlet referred to above.

AMENITY LAND

The Schedule B assessment on this is the single annual value (ascertained as for Schedule A). Amenity land includes

Gardens other than market gardens, and gardens exceeding one acre in extent belonging to a dwelling-house.

Park lands occupied with a house.

Pleasure grounds.

Ground used solely or mainly for sport, such as bowling greens, cricket and football grounds, tennis courts, golf courses, deer forests.

Woodlands not managed on a commercial basis.

Woodlands run for profit. An occupier who proves to the local or special commissioners that the woodlands are managed on a commercial basis for profit may elect to be assessed under Schedule D in the same way as a person occupying lands for husbandry only. Such election must extend to all woodlands so managed on the same estate. Woodlands planted or replanted since 19th July 1916 may be treated as a separate estate if the occupier gives notice to the Inspector within a year after the time of planting. The election has effect for all subsequent years whilst the lands are in the same occupation.

Sporting rights. See Schedule A, page 25.

EXEMPTIONS

The following lands are not charged :

Playgrounds and recreation grounds used in connection with public schools, hospitals and almshouses.

Public parks and recreation grounds used solely by and held in trust for the public.

Workhouses and county or borough lunatic asylums—land cultivated for the benefit of the inmates.

CHAPTER VII.

MANUAL WAGE-EARNERS

WEEKLY wage-earners employed by way of manual labour are, in order to suit their particular circumstances, dealt with rather differently from other taxpayers in the matter of assessment and collection.

DEFINITION

“ *Weekly wage-earner* ” means a person

who receives wages which are *calculated* by reference to the day, hour, week, or any other period less than a month, at whatever intervals the wages may be paid ; or

who receives wages, however calculated, which are *paid* daily, weekly, or at shorter intervals than a month.

“ *Employed by way of manual labour* ” applies to any occupation which depends wholly or mainly on the exercise of physical exertion, even though a considerable amount of dexterity and training may be involved.

To come within the provisions explained in this chapter, a person must be both a weekly wage-earner and employed by way of manual labour. For the sake of brevity such persons are referred to as “ manual wage-earners.”

The following are a few examples of persons who are **not manual wage-earners** :

Clerks, typists, draughtsmen, shop-assistants, time-keepers, check-weighers, storekeepers, ticket collectors, theatre attendants, and foremen whose duties are solely those of superintendence.

The following are examples of persons who are **manual wage-earners** :

Assistant foremen, omnibus and tram drivers and conductors, chauffeurs, chefs, cinema operators, dental mechanics, firemen, huntsmen, liftmen, porters, ship's mates (unless the duties are mainly those of superintendence), warehousemen, working farm bailiffs and working foremen.

If any **dispute** arises as to whether a person is a manual wage-earner or not, it is determined by the Board of Inland Revenue and the local Income-Tax Commissioners jointly, their decision being final.

DEDUCTIONS ALLOWED

In addition to the general deductions (see Chapter VIII.), certain special deductions are allowed to manual wage-earners as follows :

Trade Union contributions. The proportion applicable to superannuation or death benefits.

Friendly Society contributions—the same.

Tools, clothing, etc. The cost of tools and special clothing for the work is allowed. In order to simplify matters, arrangements have been made with the Board of Inland Revenue by most of the Trade Unions for an allowance to be made to the different trades at a flat rate. In fixing these rates everything has been taken into consideration so as to give a proper and sufficient allowance, but the individual taxpayer still retains the

right of appeal to the local Commissioners. Examples of such allowances for tools and clothing are—carpenters and joiners, £4 a year ; woodcutting machinists, £1 ; steam-engine makers, in factories, £3, in shipyards, £4 ; moulders, £4 ; ironfounders, £4 ; smiths and strikers, £2 ; miners, using candles and oil, £4, using electric lamps, £5.

Travelling expenses and lodging away from home. Where, owing to the present exceptional conditions mainly arising out of the war, a manual wage-earner is employed at a considerable distance from his home, and necessarily incurs exceptional expenses of this kind, he is allowed :

- (a) The actual additional cost of lodging away from home up to a maximum of 2s. 6d. a day ;
or
- (b) The actual cost of travelling to and from the place of employment.

METHOD OF ASSESSMENT, PAYMENT, ETC.

The tax is assessed and paid **quarterly** on the actual earnings of each quarter, less one-quarter of all proper allowances and deductions. The quarters adopted are :

Quarter ending	5th July,
	5th October,
	5th January,
	5th April.

Where the allowances due for the quarter are more than the earnings of the quarter, the part of the allowances which cannot be given is carried forward to the next quarter. If, at the end of the year, owing to the earnings being high in the earlier quarters and low later, more tax has been paid than is due taking the whole year together, the excess

tax is repaid by the Inspector without application by the taxpayer.

The Inspector issues forms each quarter to all employers of manual wage-earners, who are required to return the names, addresses and quarter's earnings of each wage-earner where they amount to £37 10s. or over. On application by the Inspector the employer must furnish him with the same details in any specific case, even though the quarter's earnings are less than £37 10s. ; this is necessary, because a person may, taking the whole year together, be liable to tax, though the earnings of one quarter may be small. The Inspector also issues to each wage-earner a form on which to make his return and claim the allowances to which he is entitled. It is important that this form should be carefully filled in and promptly returned, as otherwise the allowances cannot be made. The assessments are made by the Inspector, who issues notices of assessment and deals with any appeals. If, however, the taxpayer is unable to agree with the Inspector regarding the amount of the assessment, he is entitled to appeal to the local Commissioners.

If the assessment is not appealed against within the time allowed by the notice of assessment, the duty becomes payable. Where the taxpayer finds it inconvenient to pay it all at once, if the amount exceeds 6s., it can be paid gradually during the following quarter in income-tax stamps obtainable at any post office. Full directions as to how to proceed are given on the notice of assessment.

In case of neglect to pay in due time, the Collector is entitled to distrain on the taxpayer's goods, or to take proceedings to recover the amount in a Court of Summary Jurisdiction.

CHAPTER VIII.

HOW TO WORK OUT THE AMOUNT OF TAX PAYABLE

GENERAL RELIEFS AND ALLOWANCES

For the year 1920-21 onwards the method of calculating the amount of tax to be paid has been entirely changed. The new method is not difficult to understand, and, once understood, it is much easier to work than the old method.

As before, income is divided into two classes—earned income and investment income (previously called unearned income). What is not within the definition of earned income is regarded as investment income. **Earned income is—**

Income from office or employment—including pension and compensation for loss of office, for the past services of the person employed, paid to himself or his wife or child, or after his death to any person ; including also income from property which forms part of the emoluments (as in the case of a clergyman of the Church of England).

Income assessed under Schedule B or Schedule D which is *immediately* derived by the individual from the carrying on or exercise by him of his trade, profession, or vocation either as an individual or in the case of a partnership as an acting partner.

It follows that all income from limited companies is investment income except the salaries or other remuneration received by the directors and other servants of the company. Where a business is carried on by a trust under a will, the profits are entirely investment income even though the beneficiary who receives them under the will personally manages the business. Any salary as manager to which such person is properly entitled is earned income, but the rest is not *immediately* derived from the carrying on by him of his trade, etc.—it goes in the first instance to the trust, and is paid out to him as beneficiary.

In ascertaining the **assessable income** the earned income is reduced by one-tenth; the assessable income then becomes the total of the earned income and investment income, less one-tenth of the earned income. This deduction from the earned income is, however, restricted to £200, so that in effect any earned income over £2000 is treated the same as investment income.

From the assessable income is deducted a **personal allowance** of £225 for a married man and £135 for any other person. The married man, to get the £225 allowance, must either have his wife living with him or he must wholly maintain her elsewhere; and he must not be entitled to any income-tax deduction for sums paid for her maintenance.

Where the wife has earned income of her own, a further allowance of nine-tenths of such income (*i.e.* the amount of the income less the one-tenth allowed for earned income) is granted, up to a maximum of £45, thus bringing the allowance up to £270, being double the allowance given to a single person. These allowances, together with the allowances for children, dependent relatives and housekeeper explained below, are deducted from the assessable income **irrespective of the total income**. The sum remaining

is the **taxable income**, that is, the amount on which income-tax is charged. Of this taxable income, however large, the first £225 is charged at half the standard rate (3s.) and the remainder at the standard rate (6s.).

Where a taxpayer's income consists partly of dividends, etc., from which tax at the full rate is deducted, although he is not liable at the full rate on so much of his income, the excess tax deducted is set off as far as possible against any tax assessed direct on the taxpayer (see example D below). The set-off is made against the *first instalment* of tax ; if the first instalment is not large enough, the balance of set-off is made against the second instalment.

ALLOWANCES FROM ASSESSABLE INCOME

Child allowance. £36 for first child, £27 for each additional child. *Conditions :*

The child must be living and under 16 at the commencement of the year of assessment, *or* if over 16, must be receiving full time instruction at an educational establishment. In case of dispute as to what constitutes an educational establishment, the Board of Inland Revenue to consult the Board of Education.

Applies to children of the taxpayer, his stepchildren and adopted children, but not to illegitimate children, unless the parents have married each other ; in the case of an adopted child any individual who may be entitled to claim for such child must have relinquished his claim. A person who maintains and has the custody of his or her younger brothers or sisters is entitled to claim for them as adopted children.

Not allowable where the child has in its own right an income exceeding £40 per annum excluding any scholarship, etc.

Dependant relative allowance, £25. The person claimed for must be :

A relative of the claimant or of his wife.

Maintained by the claimant at his own expense.

Incapacitated by old age or infirmity from maintaining himself or herself. In the case of the widowed mother of the claimant or his wife this condition does not apply.

A person whose total income from all sources does not exceed £50 a year.

The allowance is also made in the case of a claimant who by reason of old age or infirmity is compelled to depend upon the services of a daughter resident with and maintained by the claimant.

Where the dependant relative is maintained jointly by two or more persons the relief is apportioned between those persons in proportion to their respective contributions.

The allowance applies to a claimant being a woman, with the substitution of "husband" for "wife."

Housekeeper allowance, £45. Applies to :

A widower with a female relative of his or of his deceased wife resident with him for the purpose of having charge of any child of his (in respect of whom relief is given as above). If there is no such relative able and willing to take such charge, and another woman is employed instead, the allowance is still given.

A widow in like circumstances.

An unmarried person who has living with him his mother (being a widow or living apart from her husband) or some other female relative, maintained by him, to look after his younger brothers and sisters, being children for whom relief is given as above.

Any person who may be entitled to claim an allowance in respect of the female relative must have relinquished his

claim. If the female relative is married, and her husband has been granted the personal allowance of £225, the £45 "housekeeper allowance" cannot also be claimed.

"Relative" in connection with the dependant relative and housekeeper allowance includes any person of whom the taxpayer had the custody and whom he maintained whilst under 16.

Examples

The new method of calculating the tax payable in different kinds of cases is clearly shown in the following examples. Tables showing the tax payable on different incomes in various domestic circumstances are given in the Appendix (page 127).

A. Clerk; salary £300; bachelor; no other income.

	Total income	-	-	-	-	£300
<i>Deduct</i>	earned income allowance, one-tenth	-				30
	Assessable income	-	-	-	-	£270
<i>Deduct</i>	personal allowance	-	-	-	-	135
	Taxable income	-	-	-	-	£135
	Tax payable, £135 at half rate, 3s.	-				£20 5s.

B. Outfitter; profits £500; no other income; married; one child.

	Total income	-	-	-	-	£500
<i>Deduct</i>	earned income allowance, one-tenth	-				50
	Assessable income	-	-	-	-	£450
<i>Deduct</i>	personal allowance	-	-		£225	
	Child allowance	-	-	-	36	261
	Taxable income	-	-	-	-	£189
	Tax payable, £189 at 3s.	-	-	-	-	£28 7s.

As tax is deducted at 6s. from the dividends £50, and D is liable at 3s. only, the excess £50 at 3s. or £7 10s. is set off against the assessment on his pension. He then pays tax as follows :

Pension £350 less allowances £195 (£35					
+£135 +£25)	-	-	-	-	£155
Tax at 3s.	-	-	-	-	£23 5s.
<i>Deduct</i> tax overcharged on dividends	-	-	-	-	7 10s.
					<hr/>
					£15 15s.
<i>Add</i> tax deducted from dividends, £50 at 6s.	-	-	-	-	15
					<hr/>
					£30 15s.
					<hr/>

The tax on the pension would be payable thus :

First instalment, one-half of					
£23 5 0	-	-	-	-	£11 12 6
<i>Less</i> investment income relief	-	-	-	-	7 10 0
					<hr/>
					£4 2 6
Second instalment	-	-	-	-	11 12 6
					<hr/>
					£15 15 0
					<hr/>

(If D's taxed dividends had amounted to £100 instead of £50, his taxable income would have been £50 more, or £255. Of this, £225 would be chargeable at 3s. and £30 at 6s. The tax overcharged on the dividends would then be £100 - £30 = £70 at 3s. = £10 10s. 0d., which would be the "investment income relief" allowed against the assessment on his pension.)

E. Schoolmaster; salary £350; wife teacher, salary £250; he maintains his widowed mother.

Total income	£350 + £250	-	-	-	£600	
<i>Deduct</i> earned income allowance, one-tenth		-			60	
						<hr/>
Assessable income		-	-	-	£540	
<i>Deduct</i> personal allowance		-	-	£225		
Wife's earned income allow-						
ance		-	-	-	45	
Allowance for mother		-	-	25	295	
						<hr/>
Taxable income		-	-	-	£245	
						<hr/>
£225 at 3s.	-	-	-	-	£33	15s.
20 at 6s.	-	-	-	-	6	
						<hr/>
£245						
					Tax payable	£39 15s.
						<hr/>

F. Widow; sole income £200 from dividends, taxed by deduction; one child aged 12.

Total income (also assessable income)	-	£200	
<i>Deduct</i> personal allowance	-	£135	
Child allowance	-	36	171
			<hr/>
Taxable income	-	-	29
			<hr/>
Tax payable, £29 at 3s.	-	-	£4 7s.
Tax deducted from dividends £200,			
at 6s.	-	-	60
			<hr/>
Tax reclaimable	-	-	£55 13s.
			<hr/>

G. Manufacturer; profits £5000; dividends £200; owns own house £150; married; son, 21, at university; daughter, 23, at home.

Total income £5000 + £200 + £150				-	£5,350
<i>Deduct</i> earned income allowance,					
one-tenth of £5000				-	£500
But maximum allowance is				-	200
Assessable income				-	£5,150
<i>Deduct</i> personal allowance					
Child allowance (son)				-	261
Taxable income				-	£4,889
£225 at 3s.				-	£33 15s
4,664 at 6s.				-	1,399 4s.
£4,889				Tax payable	£1,432 19s.

Deductions allowed from tax chargeable.

After arriving at the tax on the assessable income, further deductions are allowed from the tax so ascertained, in certain circumstances, as follows :

Life insurance. Allowance is made for life insurance premiums, and payments for deferred annuities (pensions, etc.). The allowance is not now confined to *annual* payments, but is subject to the following restrictions :

1. The insurance or deferred annuity contract must be with an insurance company legally established in the United Kingdom or in any British possession, or lawfully carrying on business in the United Kingdom ; or with a registered friendly society ; or, in the case of a deferred annuity, with the National Debt Commissioners ; or

The claimant must, under an Act of Parliament or the conditions of his employment, be liable to pay a sum to secure a deferred annuity to his widow or provision for his children after his death.

2. The premiums must be on the claimant's own life or that of his wife, and paid by the claimant or his wife.
3. Total premiums, etc. allowed not to exceed one-sixth of total income.
4. In case of a policy securing a capital sum at death (with or without other benefit), premium allowed not to exceed 7 per cent. of that capital sum exclusive of any bonus, etc.
5. In case of policies or contracts not securing a capital sum at death premiums allowed not to exceed £100.

In case of policies, etc. taken out after 22nd June 1916.

1. No allowance at all for policies, etc. coming under (5) above.
2. In case of deferred insurance, no allowance for premiums paid during period of deferment.

The last two restrictions do not apply to premiums or payments in connection with superannuation or *bona-fide* pension schemes for the benefit of employees, or their widows or dependants; or on any policy taken out by a secondary school teacher pending the establishment of a superannuation or pension scheme for those teachers.

Allowance of tax on the premiums is made at the following proportions of the full rate of 6s. in the £ :

Policies and contracts taken out not later than 22nd June 1916.

Where total incomes does not exceed £1000—half rate.

Where total income exceeds £1000 but does not exceed £2000—three-fourths rate.

Where total income is over £2000—full rate.

Policies and contracts after 22nd June 1916.

Half rate in all cases.

Example.

If the persons referred to in the examples on pp. 47-51 were each entitled to an allowance for £20 premiums on insurances taken out on or before 22nd June 1916, and £10 premiums on insurances taken out since, the allowances would be :

A. Tax payable in previous example	-	-	£20	5s.
Life insurance allowance, £30 at 3s.	-	-	4	10s.
Net tax payable	-	-	-	<u>£15 15s.</u>
C. Tax payable in previous example	-	-	£187	13s.
Life insurance allowance,				
£20 at 4s. 6d.	-	-	£4	10s.
£10 at 3s.	-	-	1	10s.
Net tax payable	-	-	-	<u>6</u> <u>£181 13s.</u>
G. Tax payable in previous example	-	-	£1,432	19s.
Life insurance allowance,				
£20 at 6s.	-	-	£6	
£10 at 3s.	-	-	1	10s.
				<u>7 10s.</u> <u>£1,425 9s.</u>

Under this system of allowing life insurance, etc. premiums, it is possible that a person with an income just under £1000 or £2000 might be required to pay more tax than another person, otherwise in exactly the same circumstances, whose income slightly exceeds one of those limits. In such cases a special relief is given, equal to the *loss* on insurance allowance through the income being below the limit, less the *gain* on tax assessable on the same account. *Example* : A has a total income of £1980. He is married and pays £250 insurance premiums.

Had his income been just a shilling over £2000 he would have paid 6s. on £20 more, but he would have been allowed £250 at 6s. instead of at 4s. 6d. for insurance.

Loss, £250 at 1s. 6d.	-	-	-	-	£18 15s.
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Gain, £20 at 6s.	-	-	-	-	6
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Special "marginal" relief	-	-	-	-	£12 15s.
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Interest paid to banks, stockbrokers and discount houses. Repayment of tax can be claimed on interest on an advance obtained from a bank, when the interest is paid without deduction of tax, and has not already been allowed as a deduction in computing the claimant's income. When such an advance is obtained for business purposes, the interest should be deducted in calculating the business profits.

Repayment can be claimed in similar circumstances where the interest (not being annual interest) is payable to a stockbroker or discount house. If the conditions of the advance (period, rate of interest, amount of loan) were more or less fixed, the borrower would deduct tax from the interest, and would then have no repayment claim to make.

In making such a claim a certificate from the bank, etc. must be furnished, that the interest has been received and included in the income-tax return of the bank, etc. The claimant must also fill in a statement showing his total income, supported by vouchers for payment of tax. Official forms are provided for certificate and statement.

Double income-tax within the Empire (see Chapter XI.).

Losses. There are two ways of dealing with losses in trading, etc., sustained by a person, either solely or in partnership, a company, etc. :

(1) By set-off against the statutory income of the taxpayer of the year the loss was sustained ;

(2) Where the taxpayer carries on two or more trades by setting off a loss in one against a profit in another in the same year in computing the assessment.

These methods are dealt with in detail below. The loss is to be calculated according to the income-tax rules in each case.

(1) *Set-off against the income of the year of loss.*

This applies to any person, etc. sustaining a loss

- (a) In any trade, profession, employment, or vocation,
or
- (b) In the occupation of land for husbandry only, or
- (c) In the occupation of woodlands assessed Schedule D.

Repayment can be claimed of tax on the amount of the loss, not exceeding the tax actually borne for the year of loss. In calculating the loss, any allowance due for depreciation for the year of loss is added. The loss reduces the total income for the purpose of any relief depending on total income, *e.g.* life insurance allowance and for super-tax. Notice of claim should be given to the Inspector within six months of the end of the year of assessment, but notice within a year is usually accepted. Failing agreement with the Inspector, application may be made to the Local or Special Commissioners.

Where such a claim has been allowed, in computing future assessments the profit of the year in question is brought in as *nil* if repayment has been made on the whole of the loss. If repayment can be made on part only, the balance of loss is brought into future averages.

Examples :

I. M is a printer assessed 1921-2 on £1,500, less £300 depreciation, net £1,200. The assessment is calculated as follows :

Profits year ended 31st December 1918	-	£2,000
" " " " " 1919	-	900
" " " " " 1920	-	1,600
		<hr/>
	3)	£4,500
		<hr/>
		£1,500

He owns his business premises assessed net £200, and receives dividends £500. The actual result of his trading for the year to 31st December 1921 (corresponding to the income-tax year 1921-2) proves to be a loss of £800, before deducting depreciation.

The tax payable by M in the first instance is :

Profits £1,500 - £300	-	-	-	-	£1,200
Business premises	-	-	-	-	200
Dividends	-	-	-	-	500
					<hr/>
					£1,900
Less one-tenth earned income	-	-	-	-	120
					<hr/>
					£1,780
<i>Deduct</i> Personal allowance (married)	-	-	-	-	225
					<hr/>
					£1,555
£225 at 3s. =	-	-	-	-	33 15s.
£1,330 at 6s. =	-	-	-	-	399
					<hr/>
Total tax borne	-	-	-	-	£432 15s.

His loss entitles him to repayment as follows :

Loss	-	-	-	-	£800
<i>Add</i> depreciation allowance due	-	-	-	-	300
					<hr/>
					£1,100
Less one-tenth earned income allowance	-	-	-	-	110
					<hr/>
					£990
Tax repayable at 6s. in £	-	-	-	-	297
					<hr/>

For 1922-3 the assessment will be :

Year ended 31st December 1919	-	£900	
" " "	1920	-	1,600
" " "	1921	-	*300 (Loss £1100 re-
			paid on)
			<hr/>
	3)	£2,800	
			<hr/>
		£933	
Less depreciation, say	-	-	285
			<hr/>

II. A company is assessed 1921-2 on £1,500 (no depreciation) on the same average as I. above. It makes a loss of £2,000 in the year ended 31st December 1921.

Repayment could be claimed on £1500 only, the company's "statutory income" for 1921-2, as it has no income beyond its trading profits. The assessment for 1922-3 would be :

Year ended 31st December 1919	
profit - - - - -	£900
Year ended 31st December 1920,	
profit - - - - -	1,600
	<hr/>
	£2,500
Year ended 31st December 1921,	
loss - - - - -	£500 (£2000 less £1500
	repaid on)
	<hr/>
	3) £2,000
	<hr/>
	£667
	<hr/>

If the taxpayer does not claim repayment on the loss, the whole loss goes into the computation of future assessments, and he gets full allowance for it over three years, assuming the rate of tax to remain the same.

* This is treated as a profit of £300 to balance the double allowance of £300 depreciation.

(2) *Person carrying on either solely or in partnership two or more distinct trades assessable under Schedule D.*

A loss in one trade may be set off against a profit in another. This provision is useful only where the three years average in one case shows a loss.

Example. C carries on two distinct businesses, (a) as draper and (b) as grocer. His profits are :

		Draper	Grocer
Year ended 30th September 1918	profit	£500	profit £400
" " " 1919	"	900	" 1,000
" " " 1920	loss	2,000	" 750
		<hr/>	<hr/>
Total three years' loss		£600	profit £2,150
Average loss		- 200	" 717
Deduct loss as draper		- -	- 200
			<hr/>
Adjusted assessment as grocer	- - -	-	£517
			<hr/>

Had C been only half-partner in the drapery business his assessment as grocer would have been £717 - £100 = £617.

Repairs and maintenance of property (maintenance claims). As stated in the chapter dealing with Schedule A, in assessing property an allowance is made for repairs at a flat rate of one-sixth in the case of houses, shops, and other buildings, and one-eighth in the case of lands. Where the actual cost to the owner of maintenance, repairs, insurance and management (excluding improvements) on an average of the five preceding years exceeds the allowances so made in the year of assessment, he can claim repayment of tax on the excess, in the case of all lands and of houses, etc. of annual value not exceeding £105 in London, £90 in Scotland and £78 elsewhere.*

* The previous limits in force were : for 1919-20, £70, £60 and £52; for 1918-19 and previous years, £12 throughout the United Kingdom.

“Maintenance” includes the replacement of farm-houses, farm buildings, cottages, fences and other works where the replacement is necessary to maintain the existing rent.

The *total* cost of the maintenance, etc. of any land belonging to the same owner or managed as one estate, or of any houses, etc. on such land, is to be compared with the *total* flat rate allowances on such land or houses, etc.

Special forms for making such claims are obtainable from the Inspector. In computing the five-year average, the year ended 31st March is to be taken, or such other date as the owner usually makes up his books to. Where the present owner has not had the property five years, and has no information regarding the previous expenditure, he can base his claim on the average expenditure since he became owner, up to the commencement of the year of assessment. Alternatively he may by a departmental concession, for the first five years, be repaid on the actual expenditure of each year, provided he agrees at the outset to accept this basis throughout the five-year period. If the claimant has sold property during the five-year average period, the expenditure on such property must be excluded from the claim.

Example :

	Land. £	Houses £
Total cost of maintenance on average of 5 years to 31st March 1920	2,500	1,397
Actual allowances from Schedule A assessments for repairs 1920-21	1,437	977
Excess - - - - -	<u>£1,063</u>	<u>£420</u>
Tax repayable 1920-21 at 6s. - -	£318 18s.	£126
	Total, £444 18s.	

(assuming the claimant has borne tax at that rate).

Management expenses. Repayment of tax on management expenses can be claimed by life insurance companies, investment companies, and savings banks, in so far as such expenses cannot be allowed before payment of tax by reason of the income of the institutions being largely taxed by deduction.

CHAPTER IX.

HOW TO MAKE UP A STATEMENT OF TOTAL INCOME TO SECURE THE VARIOUS ALLOWANCES.

UNDER the new provisions, every person whose income exceeds the exemption limit, however large the income may be, is required to make a return of his income from all sources. For the purposes of such a return, income falls into two classes :

- (a) Income taxed at the source, such as dividends, mortgage interest, ground rents, but excluding rents of property.
- (b) Rents of property ; income taxed direct, such as income from trade, profession, farming, employment, etc. ; untaxed interest ; income from foreign and colonial possessions.

Income falling under (a) is to be entered at the amount accrued in the year of assessment.

Income falling under (b) is entered at the amount assessed for the year arrived at according to the general rules of assessment. The assessments made on these sources, under the various Schedules A, B, D and E and quarterly assessments, conclusively and finally fix the amount of the income for the purposes of a statement of total income, subject to any claim for Losses (page 54) or for Maintenance of Property (page 58).

The income of a married couple (unless living apart) is

deemed to be the husband's income. The husband and wife can be assessed separately and make separate claims (page 91), but the total tax payable is not altered.

The different sources of income will now be dealt with separately.

Income from property. The precise situation, name of occupier and the net Schedule A assessment (*i.e.* rent or annual value, less repairs allowance and any other allowance such as land tax) to be entered. Any house or other property occupied and owned by the claimant or his wife, or of which the claimant or his wife is life tenant, is to be included; also property occupied rent free *with the power of letting* by the claimant, *e.g.* the vicarage of a clergyman of the Church of England. Where there is no power of letting (*e.g.* a bank manager) the rent is *not* to be included.

Income from occupation of land. To be entered at the amount of the Schedule B assessment.

Income from dividends, interest, annuities, foreign and colonial possessions, etc. If not taxed by deduction in the United Kingdom, the amount to be entered is the Schedule D assessment; if taxed by deduction, the *gross amount before deduction of tax* accrued in the year of assessment. In the case of dividends, etc., paid free of tax, tax-compounded War Loan interest, and such items, the amount actually received is to be regarded as the net amount after deduction of the full rate of tax at 6s. For example, a tax-free dividend of £14 represents £20 less £6 tax, and £20 is to be entered in the statement of total income. It is not always understood that a person exempt from tax who received such a dividend would be entitled to claim repayment of the £6 tax; this does not apply to tax-compounded War Loan, on which no repayment of tax is given under any circumstances. Arrears of cumula-

tive preference dividend belong to the year or years in which the profits, out of which the dividend has been paid, were earned.

When less than the full rate of tax is deducted owing to Dominion Income Tax Relief on the profits having been given (page 80), particulars of tax deducted are to be given. Income from tax-compounded and bearer-bond British Government War Securities should be distinguished.

Interest from building societies assessed under arrangements A and B (see page 15). This is to be entered at the actual net amount received. It will be treated as already taxed, but no repayment of tax on it will be made.

Converted Government Securities. When the 4 per cent. Victory Bonds and 4 per cent. Funding Loan 1960-90 were issued, older securities were in many cases converted into these new securities. The interest on the old securities was in some instances paid without deduction of tax, the interest being assessed direct on the amount received in the preceding year. The interest on the new securities is paid less tax. In making his statement of total income, a person who has converted securities in this way is required under the above rules to include

- (a) The interest received on the old securities in the preceding year, *and*
- (b) the interest on the new securities, received less tax, in the current year.

If, however, the total of (a) and (b) exceeds one full year's interest on the old securities, the excess is to be left out of account in calculating total income. Nevertheless, this excess is to be charged to tax at the rate paid by the highest portion of the taxpayer's income.

Example. A received in the year 1919-20 £100 interest on 5 per cent. War Bonds in full. He converts these into 4 per cent. Victory Bonds, and in 1920-21 received £50

interest on them, less tax. His only other income is £360 salary. He is married.

Total income—salary	-	-	-	-	£360
War Bond interest (for one full year)	-	-	-	-	100
					<u>£460</u>
<i>Deduct</i> earned income allowance, one-tenth of £360	-	-	-	-	36
Assessable income	-	-	-	-	£424
<i>Deduct</i> personal allowance	-	-	-	-	225
Taxable income (at 3s.)	-	-	-	-	<u>£199</u>

A will be taxable on the £50 Victory Bond interest at 3s., the highest rate above. He has paid (by deduction) 6s., and will be allowed the overcharge of £50 at 3s. = £7, 10s. from the duty assessed on his salary or War Bond interest. In this way he will pay tax at 3s. on £249, although in the ordinary course the taxable income over £225 would pay 6s.

If A's salary were £400 the tax would work out thus :

Total income £400 + 100	-	-	-	£500
<i>Deduct</i> earned income allowance, one-tenth of £400	-	-	-	40
Assessable income	-	-	-	£460
<i>Deduct</i> personal allowance	-	-	-	225
				<u>£235</u>
£225 at 3s.	-	-	-	£33 15s.
10 at 6s.	-	-	-	3
<u>£235</u>				<u>£36 15s.</u>
				Tax payable

A would then have to bear tax at 6s. on his £50 Victory Bond interest, 6s. being the rate on the highest part of his income.

This arrangement applies to securities exchanged for 5½ Exchequer Bonds 1925 or any other Government securities issued after 5th April 1920.

Shares in ships. The income of a "sixty-fourth" shareholder is his proportion of the assessment on the ship's profits for the year of assessment. Income from "single-ship companies" is similarly treated. For instance, if the assessment on the company is £5000, and the claimant holds 40 shares out of a total of 4000, his income is to be estimated at £50.

Income from trust. The actual amount receivable by the beneficiary is to be entered. In case of repayment claims, however, repayment of a proportion of the total tax borne by the trust can be claimed. Example :

Total income of trust	-	-	-	-	£1000
Total tax borne by trust	-	-	-	-	300
Net income of trust after paying expenses connected with the trust, distributed amongst beneficiaries	-	-	-	-	950
A's share of trust income, one-tenth	-	-	-	-	95

If A, a single man, has other income (untaxed) of £40, he is entitled to claim repayment of £30 tax.

Annuities paid free of tax under a will. If the annuity (including a weekly payment for life) is receivable in full out of taxed sources, under a specific direction in the will, it is to be treated in the same way as a dividend paid free of tax (see pp. 62 and 103). If, however, the will contains no specific direction as to deduction of tax, no repayment of tax on the annuity is made, and the annuity should be entered in the statement of total income of the recipient at the amount actually received.

"Charges" on income. From the aggregate income ascertained as above, there must be deducted (in the separate space No. 2 at the foot of the official return form) any ground rent, interest on mortgage or loan, annuities, patent royalties or other annual payments. The "charges"

are included in the assessments on the claimant, and he is entitled to deduct tax when he pays them on the principle of "taxation at source," but they must of course be deducted in order to ascertain his total income. Any interest paid to a banker, stockbroker or discount house (see page 54) which is not deducted in arriving at the income entered above, should also be deducted here. If there are no charges, the word "None" should be written across the space.

Income from partnerships. The treatment of this income for total income statements is sometimes rather complicated. The principle is, that the income-tax assessment is assumed to be the actual profit of the year of assessment, and that assumed profit is divided between the partners according to the partnership agreement in force for the year of assessment. The method is explained in the following example :

Assessment Schedule D on profits of firm for year 1921-22 (based on profits of three preceding years 1920-21) -	£5,000		
<i>Deduct</i> annual charges payable by the firm in the year 1921-22 (annuities, interest on loans and mortgages, ground rents, patent royalties, etc., but <i>not</i> interest on partners' capital) -	£1,200		
<i>Less</i> income of the firm taxed at source for the year 1921-22 (taxed dividends or interest, rents, or annual value of business premises owned by firm) -	£453		
Interest on War Loan or other untaxed interest of the firm separately assessed —the 1921-22 assessment (based on amount arising in year 1920-21) -	307	760	440
Balance to be divided between the partners -			<u>£4,560</u>

Partners' shares to be entered in their statements of total income according to the provisions of the partnership in force for the year 1921-22 :

Partner A. Interest on capital, year 1921-22,

		£250 + one-half balance	£2055 = £2305
B.	do.	100 + one-third balance	1370 = 1470
C.	do.	100 + one-sixth balance	685 = 785
		<hr/>	<hr/>
		£450	+ £4110 = £4560
		<hr/>	<hr/>

If the other income of the firm (shown as £760 above) had exceeded the charges (shown as £1200), each partner would have to enter in his total income statement his share of such excess with particulars.

It frequently happens that the statement of total income has to be made up early in the year of assessment. It is then necessary to estimate the income taxed at source by reference to the claimant's investments at the time of making the return, and the dividends paid in the previous year.

Occasionally two exemption or personal allowance claims can be made in the same year in respect of what is practically the same income. For example, a single woman with a private income of £500 a year, marrying on 30th June 1920, can claim total exemption for the year 1920-21, her total income for that year being £125 (one quarter of £500) : her income for the remaining three quarters of the year is regarded as her husband's income. Where a married man with a total income of £800—all from investments—dies on 30th June 1920, leaving his income to his widow, who has no other income, the executors of the deceased husband can claim total exemption on his behalf for the year 1920-1921, his income, £200, being under the personal allowance

for a married man. His widow can also claim for the last three quarters of the year as follows :

Assessable income, three-quarters of	
£800 - - - - -	£600
Personal allowance - - - - -	135
	<hr/>
	£465
	<hr/>
Half tax (3s.) on £225 - - -	£33 15s.
Full tax (6s.) on £240 - - -	72
	<hr/>
	£105 15s.
Actual tax deducted, £600 at 6s. -	180
	<hr/>
Tax repayable - - - - -	£74 5s.
	<hr/>

When a person who is himself exempt is liable to pay mortgage interest, ground rent or other annual payments, tax upon such payments is assessed upon him and he is entitled to deduct it from the payment. Where, however, the person to whom the annual payment is made is also exempt, arrangements can usually be made by which no payment of tax is required.

CHAPTER X.

SPECIAL EXEMPTIONS FROM THE TAX.

FOR Special Exemptions of *Property*, see page 32.

Charitable and Educational Trusts, etc. Charities are granted substantial exemptions. "Charity" for this purpose comprises trusts for the relief of poverty, the advancement of education and religion, and for other purposes beneficial to the community. The exemptions are confined to charities protected by a trust of a permanent character.

Exemption is granted—

- (a) From tax under Schedule A on rents and profits of lands, houses, etc., belonging to any hospital, public school or almshouse, or vested in trustees for charitable purposes, so far as the same are applied to charitable purposes only. The exemption is to be claimed by repayment.
- (b) From tax under Schedule C on interest, annuities, dividends or shares of annuities, and from tax under Schedule D on yearly interest or other annual payment, forming part of the income of a trust for charitable purposes only—so far as the income is applied to charitable purposes.
- (c) From tax under Schedule C on interest, etc., in names of trustees, applicable solely towards the repair of any

cathedral, college, church or chapel, or any building used solely for the purpose of divine worship, and so far as the interest, etc., is applied to those purposes.

Co-operative Societies. A society registered under the Industrial and Provident Societies Act, 1893, is entitled to exemption from tax under Schedules C and D, unless it sells to persons who are not members *and* the number of its shares is limited by its rules or practice. Members are liable to pay tax on interest from such societies in the ordinary way. A co-operative society occupying lands for husbandry only is entitled to elect to be assessed Schedule D instead of Schedule B (see page 36), but such election does not confer exemption from tax.

Friendly Societies. A *registered* friendly society which is precluded by Act of Parliament or by its rules from insuring any person for more than £300, or granting an annuity of more than £52, is entitled to exemption from tax under Schedules A, C and D. An *unregistered* society whose income does not exceed £160 is exempt.

National Insurance Act, 1911, Part I.—Approved Societies, etc. An approved society and any branch of such a society is entitled to exemption on income from funds or credits of the society under Part I. of the Act, or any investment thereof.

The following are also exempt :

An insurance committee established under Part I. of the Act of 1911 on income from funds or credits under the National Insurance (Health) Acts, 1911 to 1918, or any investment thereof.

The trustees of the special fund constituted by Section 48 (6) of the Act of 1911, as amended by the Act of 1918, on income from that fund.

Savings Banks. (a) Any savings bank, certified under the Savings Bank Act, 1863, is exempt on its interest and dividends from the National Debt Commissioners.

(b) Any savings bank whether certified under the Savings Bank Act, 1863, or not is exempt from tax under Schedules C and D on the income of its funds, so far as such income is applied in the payment or credit of interest to any depositor; such depositor if liable to tax is chargeable direct on the interest he receives. The exemption is conditional upon the savings bank making a return to the Inspector by the 1st May after the year to which the claim relates, showing particulars of all cases where interest exceeding £5 is paid or credited to any depositor.

Soldiers, Sailors and Airmen, and Nursing Services of the Forces.

Wounds and disability pensions are entirely exempt from income-tax and super-tax, and are not to be reckoned in computing income for any of the purposes of income-tax for 1918-19 or any subsequent year. This applies to such pensions granted to officers and men in the forces or to persons in the nursing service of the forces on account of wounds or medical unfitness attributable to or aggravated by service; or to civilians employed afloat or abroad suffering disablement from causes arising out of the war.

When the pension is not solely attributable to disablement or disability, the relief is confined to the portion attributable to disablement or disability—to be certified by the Ministry of Pensions.

Repayment can be claimed of any income-tax or super-tax which has been paid on such pensions, or any excess tax which has been paid through the pensions being included in reckoning total income, with the effect of reducing the abatement due or increasing the rate.

The exemption extends to pensions granted to members of the forces in connection with *any* war.

War gratuities. These are entitled to complete exemption in the same way as Wounds and Disability Pensions from 4th August, 1914, and repayment of any tax paid can be claimed. The general three years limit for repayment claims is waived in this particular instance. This applies to

Gratuities paid in respect of service in connection with the recent war to members of the forces or persons in the nursing service of the forces ;

Benefits on demobilization paid to officers and members of Q.M.A.A.C., W.R.N.S. and W.R.A.F. ;

Demobilization payments to employees of the Joint War Committee of the British Red Cross Society and the Order of St. John.

Scholarships. Income from a scholarship held by a person receiving full-time instruction at a university, school or other educational establishment is exempt from income-tax (including super-tax), and may be entirely omitted from all returns, etc.

CHAPTER XI.

FOREIGN INCOME AND FOREIGNERS.

INCOME OF BRITISH RESIDENTS ARISING ABROAD, AND INCOME ARISING IN THE UNITED KINGDOM BELONGING TO NON-RESIDENTS.

TAX is charged under Schedule D on the annual profits accruing to any person *residing in the United Kingdom* from

- (a) any kind of property whatever whether situate in the United Kingdom or abroad ;
- (b) Any trade, profession, employment, or vocation, whether carried on in the United Kingdom or abroad.

Persons *not residing in the United Kingdom*, whether British subjects or not, are chargeable on the annual profits from

- (c) Any property whatever *in the United Kingdom* ;
- (d) Any trade, profession, employment, or vocation exercised *within the United Kingdom*.

“Income from property” includes such things as dividends, interest as well as rents. For the sake of brevity, in the following paragraphs the term “resident” is used to

indicate a person or company whose place of residence is in the United Kingdom, and "non-resident" for others.

RESIDENCE.

It will be perceived that the liability rests largely on the question of residence. It is usually easy to determine whether an individual is or is not resident in the United Kingdom ; the exceptional cases are provided for as follows :

Temporary Residents. A person is not chargeable as a resident who is in the United Kingdom for some temporary purpose only and not with any intent of establishing his residence therein, and who has not actually resided in the United Kingdom for six months in all in any year of assessment. Should he so reside for six months or more, he becomes liable as a resident for the whole year.

Residents temporarily abroad. A *British subject* whose ordinary residence has been in the United Kingdom is chargeable as a resident notwithstanding that he may have left the United Kingdom, if for the purpose only of occasional residence abroad.

Person maintaining a residence here. A person, whether a British subject or not, even though his ordinary residence is abroad, is liable as a resident if he maintain a residence in the United Kingdom, unless he is abroad for the whole year of assessment. For example, a merchant with his family had resided for many years in Italy, where his business was. He had an estate in Scotland, and for four months in one year he and his family resided there. He was held to be a resident. On the other hand, a British merchant carried on business and usually resided in Madras. His wife and children lived for a number of years in the United Kingdom, and the husband resided with them when in the United Kingdom. It was held that, during a year

in which he did not visit the United Kingdom, he was not liable as a resident.

INCOME ARISING ABROAD TO A BRITISH RESIDENT.

Such income may be classified as follows :

- (a) income from foreign or colonial securities ;
- (b) income from foreign or colonial stocks, shares, or rents, or possessions not included in (a) ;
- (c) income from trading operations abroad.

(a) **Income from foreign and colonial securities.** This heading comprises income from Government securities, from debentures, mortgages, and similar *secured* investments. It does not include income from shares in companies, which come under (b). The amount assessable is the full amount arising in the actual year of assessment whether the income has been or will be received in the United Kingdom or not.

Deductions allowed (whether the income is received in the United Kingdom or not) :

Income tax paid in the country of origin in respect of which " Dominion income-tax relief " (see page 80) is not allowed.

Any annual interest, annuity or other annual payment payable out of the income to a person not resident in the United Kingdom.

Exceptions. The above rules do not apply to :

- (i) a person who is not domiciled in the United Kingdom, or, being a British subject, is not ordinarily resident in the United Kingdom ;
- (ii) income from such securities forming part of the investments of the foreign life assurance fund of an assurance company.

In these cases the amount assessable is the amount *actually received* in the United Kingdom in the year of

assessment, without any deduction. The question of domicile is determined by the Board of Inland Revenue, subject to appeal to the High Court in the manner explained on page 98.

(b) **Foreign and Colonial Possessions.** The assessment is based upon the three years preceding the year of assessment as for trades, etc., in the United Kingdom.

In the case of income from *stocks, shares or rents*, the full amount arising is the basis, whether received in the United Kingdom or not, subject to the same exceptions as in (a) above.

As regards other income, and income from stocks, shares or rents coming within the exception, the basis is the amount actually received in the United Kingdom. This includes income from a partnership in a trading concern controlled abroad and carrying on trade entirely abroad.

(c) **Trading operations abroad.** The broad rule is that, if the business is controlled from this country, the whole of the profits are liable. If it is not so controlled, only the profits remitted to this country are liable. Where the trading is carried on partly in the United Kingdom and partly abroad, then, in the case of no control here, the amount chargeable is the total profits on trading in the United Kingdom *plus* so much of the profits on trading abroad as is remitted to the United Kingdom.

When the business belongs to an *individual* residing here who has such control of his business that it may be said that the business is at least partly carried on in the United Kingdom, he is liable on the whole of the profits, even though all the ordinary trading transactions take place abroad.

In the case of a *company* the question of control is more or less bound up with that of residence. The Courts have held that "the residence of an artificial person, like a

trading corporation, must be considered to be where . . . the real trade and business is carried on." The place of registration is not conclusive though it must be taken into account. The principal residence of a company is at the seat of its business. Although the entire trading operations of a company may be carried on abroad (e.g. a company working a railway in Brazil or diamond mines in South Africa), if the central control and management of the business is exercised in the United Kingdom (as, for instance, by a Board of Directors meeting in London), then the company is a resident in the United Kingdom and is chargeable on its entire profits.

LIABILITY OF NON-RESIDENTS IN THE UNITED KINGDOM.

Non-residents are liable on all income arising in the United Kingdom except income from certain War Loans issued with the condition that non-residents shall not be chargeable. The liability extends to trading *within* the United Kingdom, but not to merely trading *with* the United Kingdom. The distinction depends upon a consideration of all the facts, but the essential factors are: (a) whether the contract of sale was made in the United Kingdom and (b) whether delivery of the goods took place here. If the non-resident employs a regular agent in the United Kingdom who has full powers of selling, receiving payment, etc., he is assessable on behalf of his principal on the profits arising through trading in this country.

A non-resident is chargeable in the name of any factor, agent, receiver, branch or manager, whether such factor, etc., has the receipt of the profits or not.

Where a non-resident (not being a British subject or a British, Indian, Dominion or Colonial firm or company, or branch thereof) carries on business with a resident, and the

Commissioners consider that, owing to the close connection between the two, and to the substantial control exercised by the non-resident over the resident, the course of business between them can be and is so arranged that the resident's profits are below the ordinary profits which might be expected to arise from the business, then the non-resident shall be chargeable as if the resident were his agent. That is, the resident as agent is assessable on behalf of the non-resident, on the non-resident's profits from trading in the United Kingdom.

Sometimes the profits of the non-resident cannot readily be ascertained. The assessment may then be made on a percentage of the turnover. The agent or principal may appeal against the percentage taken to the local or special commissioners, and thence to the Board of Referees appointed by the Treasury. That Board's decision is final.

These rules do not render a non-resident chargeable in the name of a broker or general commission agent, or in the name of an agent not being an authorized person carrying on the regular agency of the non-resident, or a person chargeable as such, in respect of profits from sales or transactions carried out through such a broker or agent.

The fact that a non-resident does business with other non-residents in circumstances which would make him chargeable under these rules in the name of a resident, does not of itself make him chargeable on profits arising from such business.

Where a non-resident is chargeable in the name of any branch, agent, etc., on profits from the sale of goods manufactured or produced out of the United Kingdom by the non-resident, the assessment is to be based on the merchant's profit; or, where retailed by or on behalf of the non-resident, on the profit which a retailer would make, buying direct from the manufacturer or producer.

PERSONS RESIDENT ABROAD AND THE VARIOUS RELIEFS

PERSONS resident abroad *who are not British subjects* are required to bear tax at the full rate, and are debarred from claiming the following reliefs :

One-tenth deduction from earned income.

Personal allowance of £135 or £225.

£225 at half-rate.

Allowance for life insurance premiums.

There are, however, certain exceptions to this rule. The following classes of persons, even though not British subjects, are entitled to claim :

- (a) Any person in the service of the Crown, of any missionary society, or of any Native State under British Protection.
- (b) Any person who *has been* employed in the service of the Crown.
- (c) Any resident in the Isle of Man or Channel Islands.
- (d) Any person previously resident in the United Kingdom and now resident abroad for the sake of his or her health or the health of a member of his or her family who is resident with him or her.
- (e) The widow of a person who was in the service of the Crown.

A person resident abroad who is a British subject or who falls within the above exceptions is required to bear tax on his United Kingdom income at the same *effective rate* as he would pay if his entire income were chargeable to United Kingdom income-tax. The effective rate is the average rate of tax borne by each £1 of income, and is calculated by dividing the total tax by the total income. The following example shows how the relief is calculated :

X is a British subject, married, resident in Italy. His total income is :

Dividends and rents in Italy	-	-	-	£750
Debenture interest from England	-	-	-	250
				<u>£1000</u>

6s. in the £ United Kingdom income-tax (amounting to £75) is deducted from the second item. Had his entire income been liable to United Kingdom income-tax, the tax would have been :

Total income	-	-	-	-	£1000	0	0
Less personal allowance	-	-	-	-	225	0	0
					<u>£775</u>	<u>0</u>	<u>0</u>
Tax on £225 at 3s.	-	-	-	-	£33	15	0
Tax on £550 balance at 6s.	-	-	-	-	165	0	0
					<u>£198</u>	<u>15</u>	<u>0</u>
Tax on £1000 income is							
Tax on each £ of income (effective rate = £·19875.							
Tax actually payable by X = £250							
×£·19875	-	-	-	-	49	13	9
Tax deducted	-	-	-	-	75	0	0
					<u>£25</u>	<u>6</u>	<u>3</u>
Excess repayable to X	-	-	-	-			

Claims are to be proved to the Board of Inland Revenue, Somerset House, London, on forms supplied by them. In case of dispute the claimant is entitled to appeal to the Special Commissioners.

RELIEF FROM DOUBLE INCOME-TAX WITHIN THE EMPIRE

It is frequently the case that income received here from abroad has to pay double income-tax—once in the country

of origin and again in the United Kingdom. When the income is derived from a foreign country there is no redress, but when it comes from a British Dominion, a rebate from the United Kingdom tax is allowed equal to the amount of the Dominion rate of tax, up to a maximum rebate of one-half the rate of United Kingdom tax including super-tax. Where the Dominion rate exceeds one-half the United Kingdom rate it is left to the Dominion concerned to grant any further relief, in its discretion. "Dominion" for this purpose means any British Possession or any Territory under British Protection or in respect of which a mandate is being exercised by the Government of any part of the British Dominions. This is the broad principle upon which relief is granted. The details, which are necessarily rather complex, are as follows.

The first essential is that the same item of income shall have become liable to double tax for the same year of assessment. The *United Kingdom rate of tax* is then ascertained by dividing the taxable income of the claimant (see page 45) into the amount of income-tax payable by him before making any allowance for life assurance premiums or for Dominion income-tax. If he is liable to super-tax, the super-tax rate is found by dividing the total income as ascertained for super-tax into the amount of super-tax payable; the sum of the income-tax rate and the super-tax rate is then the "*United Kingdom rate of tax.*" The *Dominion rate of tax* is calculated by dividing the amount of the Dominion income into the Dominion income-tax payable, unless the tax is charged on some other basis than the actual profits (*e.g.* on a percentage of turnover). In that case the "*Dominion rate*" is determined by the Special Commissioners.

If the United Kingdom rate so ascertained is not less than double the Dominion rate, relief is given at the Dominion rate upon the amount of the income, and United

Kingdom tax to that amount is accordingly repaid. In other cases relief is given at one-half the United Kingdom rate.

Example I. A's income consists of £775 dividends from the United Kingdom and £250 from a Dominion on which £25 income-tax is payable. A is married and pays £50 a year life assurance premiums.

Total income, £775 + £250	-	-	-	-	£1,025	0	0
Personal allowance	-	-	-	-	225	0	0
Taxable income	-	-	-	-	£800	0	0
£225 at 3s.	-	-	-	-	£33	15	0
£575 at 6s.	-	-	-	-	172	10	0
United Kingdom tax payable	-	-	-	-	£206	5	0

United Kingdom rate, $£206\frac{1}{4} \div £800 = (\text{say}) 5\text{s. } 2\text{d.}$

Dominion rate, $£25 \div £250 = 2\text{s.}$

Dominion rate is less than half United Kingdom rate, therefore relief is due at 2s. on £250 = £25.

The life assurance premiums are not deducted in ascertaining the tax payable for this purpose.

Example II. B's annual income is £3000 rents and dividends from the United Kingdom and £500 interest from a Colony which imposes £100 income-tax on this income.

United Kingdom income-tax rate.

Total income	-	-	-	-	£3,500	0	0
Personal allowance	-	-	-	-	225	0	0
Taxable income	-	-	-	-	£3,275	0	0
£225 at 3s.	-	-	-	-	£33	15	0
£3050 at 6s.	-	-	-	-	915	0	0
Total income-tax payable	-	-	-	-	£948	15	0

United Kingdom income-tax rate,

$£948 \text{ } 15\text{s.} \div £3275 = (\text{say}) \quad \quad \quad 5 \text{ } 9\frac{1}{2}$

United Kingdom super-tax rate.

* Super-tax chargeable (£2000 free, £500 at 1s. 6d., £500 at 2s., £500 at 2s. 6d.) - - - - -	= £150	0	0
Super-tax rate £150 ÷ £3,500 - - -	=		10 $\frac{7}{8}$

United Kingdom rate of tax—

5s. 9 $\frac{1}{2}$ d. + 10 $\frac{7}{8}$ d. - - - - -	=	6	7 $\frac{1}{4}$
One-half - - - - -	=	3	3 $\frac{2}{3}$ $\frac{5}{8}$
Dominion rate £100 ÷ £500 - - -	=	4	0
Relief allowed on £500 at 3s. 3 $\frac{2}{3}$ $\frac{5}{8}$ d. =			
(say) - - - - -		83	0 0

In assessing the income to United Kingdom tax no deduction is of course allowed for Dominion tax unless the Dominion rate exceeds one-half the United Kingdom rate, with the result that complete relief from double tax is not granted here. If the Dominion concerned does not grant the balance of the relief, that balance is allowed as a deduction in assessing United Kingdom tax.

It follows that the amount received here must be regarded as a net sum, and the Dominion tax added to arrive at the amount assessable. In the case of dividends, interest, annuities, etc., paid through an agent in the United Kingdom, where the agent is not in a position to ascertain the amount of Dominion tax to be added (*e.g.* a banker cashing a bearer-bond coupon), the agent deducts United Kingdom tax on the net dividend, etc., and the addition is separately assessed on the recipient under Schedule D.

A company or other body of persons can claim Dominion income-tax relief, and may not then deduct from any

* The income for super-tax purposes, to be divided into the super-tax payable, is the income assessed to income tax in the preceding year. In this case it happens to be the same as the income assessed to income tax in the year to which the claim relates.

dividends—preference or ordinary—a higher rate of tax than the United Kingdom rate as reduced by the relief.

Example. B company derives its profits from a Dominion where an income-tax of 2s. 6d. in the £ is charged. B company, having been allowed relief at 2s. 6d., must not deduct from its dividends more than 3s. 6d. in the £ (the United Kingdom rate 6s. less 2s. 6d.).

It may happen that a shareholder in B company in this way obtains too much relief. For example, suppose in Example I. above the £250 Dominion income were replaced by £250 dividend from an English company C, which derived its profits from a Colony where the income-tax was 3s. The company C claims and is allowed 3s. in the £ relief and deducts 3s. from A. But the maximum relief to which A is entitled is half of 5s. 2d., or 2s. 7d.; he therefore obtains excessive relief of £250 at 5d. (3s. less 2s. 7d.) or £5 4s. 2d. This is adjusted by charging £5 4s. 2d. more tax on the first £225 of income.

Dominion income-tax relief may be granted before payment of the United Kingdom tax where circumstances permit, but only if the claim has been established before 1st January in the year of assessment. Otherwise the relief is given by way of repayment. The claim has to be proved to the satisfaction of the Special Commissioners failing agreement with the Inspector.

CHAPTER XII.

CLERGYMEN

THE income of a clergyman of the Established Church is usually derived from a variety of sources, including income from property. In such cases the fact that the income is part of the remuneration of the office makes it earned income. Nonconformist ministers often occupy houses rent free but without the power of letting, in such circumstances that the annual value of the house is not ordinarily part of their income for tax purposes. Consequently tax is chargeable at the full rate though the minister may be exempt and the house owned by the trustees of a religious body. It is provided, however, that any clergyman or minister in such circumstances who notifies the Inspector by 30th September in the year of assessment may require the annual value of the house (less any "charges," such as ground rent or mortgage interest) to be treated *for that year* as earned income of the minister. The claim must be renewed annually; where the minister comes into occupation after 30th June he is given three months from the date of occupation to make his claim.

The majority of the clergymen of the Established Church receive part of their emoluments from the Ecclesiastical Commissioners or Queen Anne's Bounty, or both. Arrange-

ments have been made under which, for 1920-21 and future years, these emoluments shall be paid without deduction of income-tax, the tax due being assessed direct on the recipient under Schedule E on the basis of the income of the actual year of assessment. The income from the Ecclesiastical Commissioners for the year of assessment is taken to be the amount received for the year to 1st May : for example, the income for 1921-22 from this source would be the total of the payments made on 1st August, 1st November, 1921, 1st February and 1st May, 1922. The following income is outside the scope of this arrangement :

- (a) Dividends paid directly to the clergyman by banks. Tax will continue to be deducted from these at the full rate, and any relief due will be set off against tax assessed direct on other income of the clergyman or, if necessary, repaid.
- (b) War Loan Interest which is *normally*, apart from any special arrangement, paid without deduction of tax. This is assessable on the recipient under Case III., Schedule D, on the amount arising in the preceding year. (See, however, the provision *re* converted Government Securities, page 63.)

All income which comes to the clergyman by virtue of his office is chargeable to tax, including Easter offerings and voluntary grants made in augmentation of the stipend.

Expenses incurred by the clergyman wholly, exclusively and necessarily in the performance of his duty are **allowed**, including the following :

An allowance of not more than one-eighth of the rent or annual value of the house he occupies, when part is used mainly or substantially for the purposes of such duty.

Expenses of visiting members of his congregation.

Expenses of attending church meetings where part of his duty enjoined on him by his superiors.

Stationery.

Communion expenses.

Payments of stipend out of the income of the living to a curate *licensed to the parish*.

See also deductions under Schedule A, page 30.

The following are examples of **expenses not allowable**:

Expenses incurred in a process of augmentation in Scotland.

Outlays for pulpit supply during holidays.

Books.

CHAPTER XIII.

RETURNS, ASSESSMENT AND COLLECTION

RETURNS

EVERY year notices are posted on the church doors throughout the country calling upon all persons liable under the Acts to make a return and to deliver the same to the Assessor within the time allowed, namely, twenty-one days. In law this is sufficient notice to all persons in the parish where the notice is posted, but in practice return forms are issued to those known or thought to be liable. A person served with a return form under Schedule D or E must complete and deliver it even though exempt from tax; failure to do so involves a penalty—not exceeding £5 if not liable to tax. Every person whose income exceeds the exemption limit (£135 for single persons and £225 for married) is now obliged to make annually a return of the whole of his income, whether already taxed or not.

Schedule A Returns. See Chapter V.

Schedule D Returns. Every person chargeable under Schedule D either on his own account or on account of some other person is required to make a return including every source of income so chargeable; he is chargeable for the whole at the same place and by the same Commissioners.

In the case of a **partnership** the return is to be signed by the precedent acting partner. The managing owner of a **ship** held in partnership is the person to make the return. The return of a **company** is to be signed by the secretary or person performing the duties of secretary. The return of any other body of persons is to be made by the treasurer. The assessment is made where the company or body of persons carries on business.

Where the same person is engaged in different partnerships or in different trades in different places, a separate assessment is to be made on each concern at the place where it would be assessed if singly carried on.

Returns of salaries, etc., paid. Every employer is required to make a return containing :

- (a) The names and residences of all persons employed by him.
- (b) The payments made to those persons in respect of that employment.

As regards (a) and (b) the return need not include persons who have no other employment and whose remuneration for the year does not exceed the exemption limit. In the case of a company or other body the return is to be made by the secretary or officer performing the duties of secretary ; and directors and managers are to be included as persons employed.

Lists of lodgers, etc. Every person letting lodgings, taking paying guests or otherwise having persons living in his house is required to deliver a list to the Assessor stating :

- (a) The name of every lodger or inmate resident in his dwelling-house.
- (b) The name and ordinary place of residence of any such lodger or inmate who has an ordinary place

of residence elsewhere at which he can be assessed and who desires to be so assessed.

This applies to hotels, boarding houses, hydros and such institutions. Persons merely resident for a short time do not need to be included, but anyone who has been resident in the hotel, etc., for six months should be returned.

ASSESSMENT.

For procedure regarding assessment under **Schedules A and B**, see Chapters V. and VI.

Schedule D. Nominally the assessments are made by local unpaid commissioners called "Additional Commissioners." In practice they are usually made by the Inspector, who consults the Assessor where necessary, and are revised by the Additional Commissioners.

The taxpayer (provided he does not claim total exemption) has the option of being assessed by the Special Commissioners instead of the Additional Commissioners. If he wishes to exercise this option, he fills in accordingly the space provided on page 2 of the return form, just above the signature. The Special Commissioners are appointed and paid by the Treasury, and devote their whole time to the duties of the office.

Assessments under all Schedules are normally made in the autumn of the year of assessment, but may be made any time within three years of the end of that year. Additional assessments, where the first assessment is insufficient, may be made within the same time limit.

Place of assessment, Schedule D. Profits of trade, profession, employment or vocation are usually assessed where carried on, except that a person engaged in the manufacture of goods in the United Kingdom is assessed at the place where the goods are manufactured. Other persons are

assessed at their residence : persons engaged in trade, profession, manufacture, etc., may also be assessed at their residence. An assessment is valid notwithstanding subsequent removal. The return is required to show where the person is assessable and where the trade, etc., is carried on.

Notice of assessment is given to the taxpayer in the following manner :

Schedules A and B. A general notice is posted on the church doors intimating that the assessments have been made and are lodged with the Assessor for examination by the person assessed. In addition it is usual to send individual notices to the persons assessed where the assessment exceeds the amount returned or the previous assessment. The church-door notice is, however, sufficient notice in law.

Schedules D and E. In addition to church-door notices, individual notices giving particulars of the amount assessed, allowances and tax payable are issued in all cases. Where the assessment is made by the Special Commissioners, they issue the notice of assessment and any appeal is heard by the Special Commissioners.

SPECIAL PROVISIONS REGARDING ASSESSMENT.

Husband and wife : separate assessment. The incomes of husband and wife can be assessed separately, provided application be made on the prescribed form by the husband or the wife within six months before **6th July** in the year of assessment, *i.e.* for the year 1921-22 application must be made between 6th January and 5th July, 1921. Persons marrying during the year of assessment are given until 6th July *following* the year of assessment to make the application.

After such application the husband and wife are treated

as if unmarried; they are called upon to make separate returns and are assessed separately. The aggregate amount of tax charged is, however, exactly the same as if no application had been made, as the incomes are aggregated in calculating any relief depending upon total income (*e.g.* personal allowance and half-rate allowance). A return of the total joint income may be made by either spouse, but the Revenue may require a return from both.

The various **reliefs** are **apportioned** as follows :

Earned income relief—in proportion to the respective earned incomes.

Personal allowance £225—in proportion to the respective assessable incomes.

Half-rate on first £225—in proportion to the respective assessable incomes.

Life insurance—to the spouse who pays the premium.

Adopted child—to the spouse who maintains the same.

Dependant relative—to the spouse who maintains the same.

Where a **married woman** is a **sole trader** or **entitled to income in her own right**, her income is ordinarily assessable as the husband's income, as in other cases. But when the **wife** who is living in the United Kingdom **separate from her husband** (whether the husband is temporarily absent from her or from the United Kingdom or otherwise) receives any allowance or remittance from property out of the United Kingdom, she is assessable as a single woman if entitled thereto in her own right, or as the agent of the husband if the income belongs to him.

Deceased person. An assessment may be made upon the executors for income accruing to deceased at any time within three years of the end of the year of assessment. The executors are also liable for any tax charged on the deceased.

Minors. The parent or guardian is liable on behalf of the minor to make all returns, and to be assessed. Where, however, a minor without parent or guardian carries on a trade or vocation he is personally liable.

Incapacitated persons and non-residents in the United Kingdom. The trustees are required to make the necessary returns, and are assessable on behalf of their principals.

PAYMENT OF TAX

The tax is payable as follows :

On the income of **individuals and firms**, in two equal half-yearly instalments, on 1st January and 1st July, *e.g.* the tax for 1921-22 is due on 1st January, 1922, and 1st July, 1922. Tax under Schedule B not on lands occupied for husbandry only, and tax under Schedule D on unearned ("investment") income is, however, payable in one sum on 1st January.

On the income of **companies, corporations and other bodies**. In two instalments as above in respect of tax under Schedule A. On 1st January in the year of assessment in all other cases.

The above applies to assessments made in the ordinary course. In the case of **additional assessments** made after 1st January in the year of assessment, the payment normally due on 1st January is due the day after the assessment is signed. If the assessment is signed after 30th June the whole duty is payable the day after the assessment is signed.

In default of payment of the tax the Collector is entitled to distrain on the goods of the person charged or on the property charged. Where the premises are closed, he can, on obtaining a special warrant, break open the premises and then distrain. Goods belonging to a person in arrear

with the tax cannot be taken under any execution, warrant, etc. (except at the suit of the landlord for rent), unless the person taking the goods first pays the Collector all arrears of tax due at the time of the seizure. If, however, tax is due for more than one year, the person may, on paying one year's tax, proceed with his seizure. Otherwise the Collector can distrain the goods notwithstanding the seizure and so recover the tax due. In Scotland, in place of distraint by the Collector, the goods are poinded by the Sheriff's officer for tax and expenses; there is a similar provision regarding priority over other creditors, but without the reservation as to the landlord's rent.

CHAPTER XIV.

APPEALS

A PERSON is entitled to appeal against any assessment upon him on giving notice of appeal to the Inspector within 21 days after the date of the notice of assessment. The appeal is heard and decided by the General (Local) Commissioners, except that appeals against assessments by the Special Commissioners are decided by the Special Commissioners. A person assessed under Schedule D by the Local Commissioners, if he does not claim total exemption, may appeal to the Special Commissioners instead of the General Commissioners : in that case he expresses his desire when giving notice of appeal.

The **owner of lands**, although not assessed (the assessment being upon the occupier), has the same right of appeal against the Schedule A assessment on his lands as if the assessment were made upon himself.

A **person claiming repayment** of tax deducted at source (on account of personal allowance, marriage allowance, etc.) has a right of appeal to the Local Appeal Commissioners.

Where an item of **income** has been assessed twice, one assessment will be cancelled on application to the Inspector, or repayment made as the case may require. In case of

dispute, the taxpayer may appeal to the Local Appeal Commissioners.

On receipt of a notice of appeal the Inspector gets into communication with the appellant with a view to reaching an agreement as to the correct liability. If the overcharge is due to non-allowance of one of the various "reliefs"—*e.g.* for life insurance premiums or children—the matter is easily arranged by the production of the receipts, filling in the appropriate form or furnishing such other information or evidence as the case may require. When the appeal is against the amount of the assessment on a business, profession, etc., the matter is a little more difficult. In such cases the Inspector usually asks for accounts to show the profits actually made, and sometimes for the books. It is very necessary for all persons carrying on a business or profession to keep careful accounts of all transactions. Without such accounts it is impossible to know what profits are being made, and the appellant will find himself at a great disadvantage before the Inspector and the Commissioners. Instructions for calculating the income-tax liability from the accounts is given in Chapter II., page 11.

In actual practice 98 appeals out of every 100 are settled by direct negotiation between the appellant and the Inspector. The remaining cases not capable of such settlement are put down for hearing by the Appeal Commissioners—Local or Special as the case may be. The appellant is given due notice of the time and place of appeal. The appellant, having first furnished such information as the Commissioners may require, then attends the appeal meeting, and states his case to the Commissioners. The Inspector states the case for the Crown, and the Commissioners give their decision.

When the appellant is prevented from attending the appeal by absence, sickness or other reasonable cause, the

Commissioners may adjourn the hearing or may allow an agent, clerk or servant to appear on his behalf.

When the appellant has removed out of the division where the assessment was made, the Commissioners for the division to which he has removed may hear and determine the appeal.

The Local Appeal Commissioners may permit a barrister or solicitor to plead before them, on either side, either *viva-voce* or in writing; or they may hear a chartered or incorporated accountant. If the Local Commissioners refuse to permit this, the appellant may, in lieu of proceeding with his appeal before them, appeal to the Special Commissioners, who are bound to hear the barrister, etc.

On a **Schedule A** appeal or a **Schedule B** appeal depending on the rental value, the Inspector usually requires the production of the last rent receipt, or the lease. If the appeal comes before the Commissioners they may if they consider necessary, and must if required by the appellant, direct the appellant to cause a **valuation** to be made by a person of skill named by them: this valuation is to be verified on oath before the Commissioners if required. The annual value is then to be determined in accordance with the valuation. If the appellant fails to have the valuation made, the Commissioners are to determine the value according to the best of their judgment. If the valuation exceeds the value alleged by the appellant, the Commissioners may order him to pay the **costs**; but if they are of opinion that the costs have not been incurred through any default of the appellant, they are to be paid by the Revenue.

If the Commissioners at any appeal consider the appellant **is** under-assessed, they may increase the assessment accordingly.

The **decision** of the Appeal Commissioners (Local or Special) is **final except on a point of law**, and cannot be reopened by either side. Where either party considers the

decision to be wrong in law, he can appeal to the High Court, and thence to the Court of Appeal and the House of Lords. In that case he must, immediately the Commissioners give their decision, express dissatisfaction on a point of law, and within 21 days demand a "case" of the Clerk to the Commissioners, paying him a fee of 20s. The "case" is a statement of the facts and arguments brought out at the appeal, signed by the Commissioners, and it is upon this statement that the matter is reviewed in the higher Courts.

CHAPTER XV.

DEDUCTION OF TAX FROM INTEREST, DIVIDENDS, ETC.

IN accordance with the scheme of taxation at source, it is provided that, in computing profits for income-tax purposes, no deduction is allowed for interest, annuities, or other annual payment, nor for patent royalties. When such payments are wholly made out of profits charged to tax, the payer may deduct tax at the full rate and so pass on the part of the burden which does not belong to him. If the payments are not wholly made out of taxed profits, the payer *must* deduct tax, and must pay over to the Revenue the tax deducted by him, less any tax paid by him. If, for example, a person who is exempt pays £20 interest on loan, and receives £12 dividend less £3, 12s. tax deducted, he deducts £6 tax from the loan interest and pays to the Revenue £2 8s. The net result is that he has paid £6 tax (£3, 12s. plus £2, 8s.) and recovered £6 tax by deduction, bearing none himself.

Companies paying dividends out of profits which have borne tax are similarly entitled to deduct tax.

It sometimes happens that, a payment of interest etc. falling due before the rate of tax for the year is fixed, the rate of tax deducted is less than is subsequently imposed. In such cases, the payer is entitled to recoup himself for

the short deduction when he makes his next payment of interest, etc. ; or if no subsequent payment is due, he can recover it from the payee as a debt. Where this procedure is not practicable (as in the case of bearer bond coupons) the agents, etc. who paid the interest are required to furnish the Revenue with particulars of the names and addresses of the payees, with amounts of interest paid and tax deducted. The tax under-deducted is then assessed direct on the recipients under Schedule D (Case VI.).

Rate of deduction. The rule is as follows :

(a) If the interest, etc., is *wholly paid out of taxed profits*, tax is deductible at the "accruing rate," i.e. the average of the rates in force during the time the interest, etc., was accruing due.

Example. The rate of tax for the year ended 5th April 1917 was 5s., and for the year ended 5th April 1918, 6s. From a dividend for the year ended 31st December 1917 tax would be deducted at 5s. 9d., thus :

	s. d.
Rate for quarter year to 5th April 1917 =	
5s. ; one quarter - - - - =	1 3
Rate for three-quarters year to 31st December 1917 = 6s. : three-quarters =	4 6
	<hr/>
	5 9
	<hr/>

It is only on a change of rate that this rule comes into operation. It applies to mortgage interest, dividends, and the great majority of payments.

(b) If the interest, etc., is *not paid or not wholly paid out of taxed profits*, tax is deductible at the rate in force at the time of payment. For instance, in the case of interest on a loan to a foreign government for the year ended 31st

December 1917, payable 1st January 1918, tax would be deducted at 6s.

Deduction of Schedule A tax from rent, mortgage interest, etc. (see page 31).

CHAPTER XVI.

REPAYMENT CLAIMS

A PERSON who has paid the tax, by deduction or otherwise, without receiving the full benefit of the reliefs to which he is entitled (see Chapter VIII.) can claim repayment of the tax overpaid; similarly with any person, society, etc. entitled to the special exemptions detailed in Chapter X. The time limit for such claims is three years after the end of the year of assessment; that is, a claim in respect of the year ended 5th April 1921 can be lodged at any time up to 5th April 1924. The three years' limit does not apply to certain kinds of claims (*e.g.* Losses, page 54) where a special and shorter time limit is imposed; nor does it entitle the taxpayer to object to the gross amount of profits assessed in any particular assessment after the time allowed for appealing has expired.

Where the relief claimed depends upon the total income of the claimant (*e.g.* personal allowance, half-rate allowance) a statement of total income is required, on the prescribed form, made up according to the directions contained in Chapter IX. Repayment claim forms are to be obtained from the local Inspector, who, under the new arrangements, deals entirely with all repayment claims arising in his district, whether fresh claims or claims from

persons who have made claims in previous years. Forms for claiming repayment in respect of allowances for children, dependant relatives, etc. can be obtained in the same way.

The claim must be supported by vouchers for the tax paid or deducted, as, for instance :

Tax paid direct—the collector's receipt.

Tax deducted from dividends or debenture interest—the dividend or interest warrant counterfoils.

Tax deducted from mortgage interest—a certificate on the official form (No. 185) or in similar form.

Full instructions will be found on the repayment claim forms, and assistance in case of difficulty can always be obtained at the Inspector's office. Sometimes a dividend or payment of interest is described as "free of tax" or "free of tax up to (say) 5s. in the £." This description occasionally misleads the recipient into believing that no repayment of tax can be claimed on the dividend, etc. This is not so. A dividend of £14 "free of tax," if the tax be 6s. in the £, is really a dividend of £20 less £6 tax ; and a dividend of £24 "free of tax up to 5s. in the £" really represents a gross dividend of £32 less £8 tax. In the latter case, if the actual rate of tax in force were 6s., £1, 12s. tax would be deducted from the £24, and a net payment of £22, 8s. made. These dividends would be entered in a repayment claim as respectively £20, tax paid £6, and £32, tax paid £9, 12s.

Income accumulated under trusts for minors, etc. Where income is accumulated under the provisions of a will or settlement, for the benefit of any person contingently on his attaining some specified age or marrying, no claim for relief can be made until the contingency happens. Then the beneficiary can make a claim for any relief to which he is entitled covering the whole period during which the income was accumulating, treating the income of the trust

as his income, and adding in any other income of which he may have been in receipt. The time limit for such claims is three years from the end of the year of assessment in which the contingency happens.

Example. In 1909 A's father died and left to A in trust £5000 Consols to be given to him when he attained the age of 21, the income in the meantime to accumulate for his benefit. A was 21 on 23rd December 1919. For the last two years of his minority he received a salary of £50 as articled law clerk. Otherwise he had no income. At any time up to 5th April 1923 he can claim repayment of tax from 1909-10 to 1919-20, equal to the amount he would have been entitled to claim had he been in receipt of the income as it accrued. In the last two years he would have to include his salary as articled clerk in his statement of total income.

When the income is applicable to the maintenance of the beneficiary during the existence of the trust, it is the practice to grant repayment of tax upon the income so applied, without waiting for the happening of the contingency. In that case, of course, the amount claimable subsequently by the beneficiary is reduced accordingly.

CHAPTER XVII.

SPECIAL PROVISIONS RELATING TO IRELAND

Annual value of tenements and rateable hereditaments for purposes of **Schedule A** and **Schedule B**. The poor-rate valuation is taken, unless any one of the following figures is less, in which case that figure is taken as the value :

- (a) The judicial rent fixed under the Land Law (Ireland) Acts ; or
- (b) The annual interest payable to the Irish Land Commission in lieu of rent under the Land Purchase (Ireland) Acts ; or
- (c) The purchase annuity payable under the Land Purchase (Ireland) Acts.

Schedule A tax is charged upon the landlord or immediate lessor, but may, at the option of the Special Commissioners, be charged upon the person rated to the poor.

Schedule B tax is charged upon the occupier.

If on appeal it is proved that the annual value assessed exceeds the rent which the property is worth to be let from year to year, the assessment is to be reduced to the rent. If the rent which the property is worth from year to year exceeds the rent actually paid, the landlord or immediate lessor is assessed Schedule A on the actual rent, and the

tenant or occupier assessed Schedule A on the difference, subject to any claim for exemption or relief.

Where a person who receives rent from property which is exempt from poor rate is liable for one-half the poor rate, Schedule A is to be charged upon the full rent.

If the Board of Inland Revenue consider that any poor-rate valuation is incorrect (having reference to the principles according to which the same ought by law to have been made) in respect of all or any of the properties included therein, they may direct the Commissioner of Valuation to make, for income-tax purposes, a proper valuation of such properties. Schedule A and B shall then be assessed in accordance with the revised valuation, subject to appeal.

Where the annual value assessed Schedule A is not less than the rent to the landlord or immediate lessor, a deduction is allowed for poor rates paid by him in the preceding year. If the Schedule A value is less than the rent, but greater than the rent less poor rates, it is reduced to the latter figure.

Assessments under all Schedules are made by the Inspector and signed by the Special Commissioners. The Special Commissioners fix the times and places for hearing **appeals**, and cause notice of assessment and of time and place of appeal to be given to each person assessed: they hear appeals and appoint collectors, and generally exercise the functions of Local Commissioners in England.

The determination of the Special Commissioners on appeal is final unless the appellant requires the appeal to be re-heard by the Recorder or County Court Judge. There is the same power as in England to take an appeal to the High Court on a point of law; but in Ireland any appellant may, on giving notice in writing to the Inspector within 10 days after the determination by the Special Commissioners, require that his appeal be re-heard by the Recorder

or County Court Judge, as the case may be, having jurisdiction where the assessment was made. The Special Commissioners are then required to forward to the Recorder or County Court Judge any statements, accounts, etc. in their possession for the purposes of the appeal, and he re-hears and determines the appeal. His determination is final.

Claims of exemption, abatement or relief, and all claims for repayment of tax, are finally determined by the Special Commissioners, subject as regards claims for exemptions to the same appeal to the Recorder or County Court Judge.

If the tax under Schedules A or B is not paid it can be levied by distress from the person charged, or from the occupier, or upon the premises assessed; and all goods on such premises, to whomsoever belonging, are liable to distraint. Schedule A tax may be recovered from the landlord or immediate lessor, whether named in the assessment or not; but where the assessment has been made on the tenant or occupier, the landlord is liable only for tax on the rent payable to him.

In computing income for the purposes of the income tax, poor rates chargeable on rents of property are allowed as deduction from the rents.

If the landlord, having paid the Schedule A, proves that he has lost the whole or any part of the rent through the tenant's bankruptcy or absconding, or the property being left waste and unoccupied, he can obtain repayment of tax on the rent lost. The claim must be made within six months after the end of the year of assessment.

CHAPTER XVIII.

SUPER-TAX

SUPER-TAX is an additional income tax, charged upon *individuals* whose total income from all sources exceeds £2000. By means of the super-tax, graduation is carried from the point where income-tax graduation ceases, up to the highest incomes. The **super-tax rates in force for 1920-21 and 1921-2** are as follows :

	s.	d.
On the first £2000 - - - -	-	<i>Nil</i>
On each £1 from £2001 to £2500 - -	1	6
„ „ £2501 „ £3000 - -	2	0
„ „ £3001 „ £4000 - -	2	6
„ „ £4001 „ £5000 - -	3	0
„ „ £5001 „ £6000 - -	3	6
„ „ £6001 „ £7000 - -	4	0
„ „ £7001 „ £8000 - -	4	6
„ „ £8001 „ £20,000 - -	5	0
„ „ £20,001 „ £30,000 - -	5	6
On each £1 over £30,000 - - - -	6	0

BASIS OF ASSESSMENT

The tax is charged upon the total income estimated according to the amount received in the year preceding

the year of assessment, *e.g.* for the year 1920-21 the total income for super-tax purposes is the income of the year 1919-20 ascertained as shown below. The total income is computed, subject to that difference and to the special provisions referred to below, in a similar manner to total income for income-tax purposes (*vide* Chapter IX.); and, subject to the same reservations, the general income-tax rules regarding assessment, returns, etc., apply.

Income chargeable to super-tax may be classified under two heads :

- (a) Income chargeable with income tax by direct assessment.
- (b) Income received under deduction of income tax.

Income chargeable with income tax direct. For this the income-tax assessment of the preceding year must be followed without alteration. Where an assessment to income tax has become final and conclusive for income-tax (*e.g.* through expiry of the time for appeal, or after determination of an appeal), it is equally final and conclusive for super-tax purposes for the following year. Where the income-tax law grants allowances by repayment (*e.g.* for excess repairs of property (see Chapter VIII.—“ maintenance claims ”) such reliefs reduce the super-tax income for the following year, but the allowance must first be claimed and allowed for income-tax before it can be taken into account for super-tax. The personal, child, dependant relative, housekeeper and life insurance allowances are purely income-tax allowances, and do not apply to super-tax.

Income from property is to be entered at the net Schedule A assessment less any allowance granted by repayment on account of maintenance claims as above.

Earned Income is entered at the full amount. The deduction of one-tenth allowed for income tax does not apply to super-tax.

Partnerships. The income to be entered is ascertained in the same way as for income tax (see page 66). The partners' shares there given (£2305, £1470, £785) are the amounts to be returned for super-tax for the year 1922-23.

Income chargeable to income tax by deduction. The income is to be regarded as the income of the year in which receivable. The gross amount is to be returned before deduction of income tax. If the income is received "free of tax," the tax must be added to the amount received thus :

Dividend " free of tax "	-	-	-	-	£14
Tax at 6s. on each 14s. of net dividend	-	-	-	-	6
					<hr/>
Gross dividend	-	-	-	-	£20
					<hr/>

In the case of an **annuity** under a will **free of income tax and super-tax**, the super-tax payable on the annuity is to be added as well as the income tax.

Interest from Government securities which is exempt from income tax (*e.g.* 4 per cent. tax-compounded War Loan) is liable to super-tax, and is to be entered as if the amount received represented the net interest after deduction of income tax at the full rate, as in the example above of a tax-free dividend.

In the case of income from **converted Government securities**, the income-tax arrangement explained on page 63 applies to super-tax with the necessary modifications, *e.g.* the income to be included in the 1921-22 super-tax return is the *old securities interest* received in the year 1919-20, and assessed direct to income tax in 1920-21, and the *new securities interest* received in 1920-21. Any excess over one full year's interest on the old securities is excluded from the calculation of total income but assessed to super-tax at the highest rate paid by the taxpayer on his other income.

Payments out of income. Where a person is under legal obligation to make certain annual payments out of his income, such as ground rents, interest on borrowed money or annuities, or where he pays interest to bankers, stock-brokers or discount houses, such payments are deductible for super-tax, and should be shown separately in the space provided. This does not apply to such things as voluntary allowances from father to son. Such payments as are allowable form deductions of the year in which they are payable.

Example. A's income is derived entirely from shares in a steel company. This company makes up its accounts to 31st December and pays dividends as follows to A :

For year ended 31st December 1918 £5000 paid 1st June 1919.

For year ended 31st December 1919 £4000 paid 1st June 1920.

A has paid interest on loan as follows :

Half-year to 31st December 1918 £400 paid on 1st January 1919, the due date.

Half-year to 30th June 1919 £300 paid on 1st July 1919, the due date.

Half-year to 31st December 1919 £200 paid on 1st June 1920 (due 1st January 1920).

A's super-tax return for 1920-21 will be as follows :

Dividends receivable in year to 5th April	
1920 - - - - -	£5000
Less loan interest payable in year to 5th	
April 1920 - - - - -	500
	<hr/>
	£4500
	<hr/>

SPECIAL PROVISIONS

Income ceasing. The income of the preceding year must be returned, even in the case of a source of income which has ceased before the year of assessment.

Crown servants abroad. A deduction is allowed for any official expenses deemed by the Treasury to be necessary and for which an allowance has not already been made.

Relief to persons serving in the war. Where any individual in connection with the recent war is during any year of assessment serving as a member of the forces or in any work abroad of the British Red Cross Society or the St. John Ambulance Association, or any other body with similar objects, and his total income for the year of assessment is less than the income of the previous year taken as a basis for super-tax, he is entitled to have the super-tax assessed upon the actual income of the year. This provision is still in force for 1920-21.

Separate assessment of husband and wife. Normally the income of the wife is treated for super-tax purposes as the income of the husband, as for income tax. The husband and wife may, however, be assessed separately upon application on the prescribed form being made either by the husband or the wife within six months before 6th July in the year of assessment, *e.g.* application for the year 1921-1922 must be made between 6th January and 5th July 1921. The application has effect for one year only. The husband and wife are then treated for the purposes of returns, assessment and collection as if unmarried, except that in calculating the amount of tax chargeable the two incomes are aggregated and the tax payable on the joint incomes is divided between husband and wife in proportion to their respective incomes. The application does not

alter the total amount of tax to be paid, except in the case of death of husband or wife (see below).

Persons married during the year of assessment are allowed until 6th July *following* the end of the year of assessment to lodge their application.

Death of taxpayer. When a person liable to super-tax dies during any year for which the tax is charged, a proportion of the super-tax is payable corresponding to the proportion of the year which has elapsed before the date of death.

Example. A is charged £400 super-tax for the year 1921-22, based upon his income of the year 1920-21. He dies on 31st December 1921, and his estate is liable for £300 super-tax (6th April to 31st December 1921 = three-quarters of a year : three-quarters of £400 tax = £300).

Where, in the normal course, the joint income of married persons is assessed on the husband and the husband dies, a proportion of the total tax is remitted, but if the wife dies, no allowance is due. When, however, in accordance with the provisions above, the husband and wife are assessed separately, on the husband's death a proportion of *his* share only of the super-tax is remitted ; and similarly when the wife dies, a proportion of *her* share only is remitted. Comparing the two methods of assessment—joint and separate—if the husband dies more tax is payable under the separate, and if the wife dies, more is payable under the joint.

RETURNS AND ASSESSMENT

All procedure in connection with issuing return forms, making assessments, issuing notices of assessment, etc., is carried out by the Special Commissioners.

Every person called upon to make a return is required to do so whether liable to super-tax or not. The same rule

applies to the representative of an incapacitated, non-resident, or deceased person. Every person liable to the tax is under an obligation to notify the Special Commissioners of Income Tax, York House, Kingsway, London, W.C. 2, before 30th September in the year of assessment for which chargeable. (Penalty £50 and £50 for each day's delay after judgment given.)

Assessments may be made or amended or additional assessments made at any time during the year of assessment or within three years thereafter. If a person served fails to make a return, an assessment may be made by the Special Commissioners to the best of their judgment.

Appeals are heard in all cases by the Special Commissioners, who sit for the purpose at London, Edinburgh, Dublin and other large towns throughout the provinces. All assessments are subject to appeal, which must be lodged within 28 days of the notice of assessment. The notice of appeal must state the grounds of objection to the assessment.

Payment. The tax is payable on or before 1st January in the year of assessment to the Accountant General, Inland Revenue, Somerset House, London, W.C.2.

CHAPTER XIX.

INCOME-TAX FOR THE THREE YEARS UP TO 5th APRIL 1920

As repayment claims in respect of exemption, abatements, children, life insurance, etc. may be made at any time within three years of the end of the year of assessment, the allowances, rates, etc. in force from 6th April 1917 are given in the Appendix (page 120).

The rules for calculating the tax payable for those years are altogether different from those now in force. Different rates were charged upon incomes of different magnitude, and different rates upon earned and unearned (now investment) income. Total incomes not exceeding £700 were entitled to varying "abatements" free of tax, and incomes up to £130 were exempt. These abatements, and also the allowances for wife, children, life insurance, etc. were allowed against earned income in the first instance, any balance being allowed against unearned income.

EXAMPLES.

Year 1919-20. A has £250 from taxed dividends, and owns his residence assessed net £45. His only other income is £10 director's fee. He is married ; has one child under

16; he pays £20 life insurance premium on a policy dated 1914.

Total income—earned £10 + unearned £295 = £305 assessed thus :

<i>Earned income</i>	-	-	-	-	£10
<i>Less part abatement</i>	£120	-	-	-	10

Tax payable	-	-	-	-	<i>Nil</i>
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<i>Unearned income</i>	-	-	-	-	£295
<i>Less balance abatement</i>	-	£110			
Wife allowance	-	-	-	50	
Children allowance	-	-	-	40	
Life insurance	-	-	-	20	220

£75

Tax payable at 3s. in the £	-	£11	5s.
Tax deducted from dividends, £250 at 6s.		75	

Tax reclaimable	-	-	-	£63	15s.
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No tax would be payable on the house.

Year 1919-20. B is an army officer, pay £200; salary from civil life £50; dividends taxed £50; married; two children.

Total income £300; allowances due :

Abatement (soldier)	-	-	-	-	£160
Wife	-	-	-	-	50
Two children £40 + £25	-	-	-	-	65

£275

To be allowed :

1st from earned (civil) income	-	-	£50—no tax payable
2nd „ unearned income	-	-	50— „
3rd „ service pay	-	-	175

£275

Tax due on service pay	-	-	£200
Less balance allowances	-	-	175

£25

Tax deducted from dividends £50 at 6s.	15	0s.	0d.
Tax payable £25 at 9d.	-	-	18s. 9d.

Tax reclaimable	-	-	-	£14	1s.	3d.
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Year 1919-20. C has taxed dividends £600; income from house property assessed £200; director's fee £50; untaxed interest £140. He is married and has four children, and pays £30 life insurance premiums.

Total income—earned £50, unearned £940 = £990. Allowances due :

Children—1st 2, nil ; 3rd, £40 ; 4th, £25	£65
Life insurance	30

£95

Allowable first from earned income	-	50
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Balance to be allowed from unearned income	-	-	-	-	£45
--	---	---	---	---	-----

Unearned income	-	-	-	-	£940
<i>Less</i> balance allowances	-	-	-	-	45
					<hr/>
					£895
Tax payable at 3s. 9d.	-	-	-	-	167 16s. 3d.
Tax deducted from dividends £600 at 6s.	180	0s.	0d.		
					<hr/>
Tax reclaimable	-	-	-	-	£12 3s. 9d.
					<hr/>

Year 1918-9. D is a butcher whose profits were £250; taxed interest from Government securities, etc., £350; owns his house and shop assessed £60 net. He is married, has three children, and pays £20 life insurance premiums.

Total income—earned £250, unearned £410 = £660.

Allowances due :

Abatement	-	-	-	-	-	£70
Wife	-	-	-	-	-	25
Three children	-	-	-	-	-	75
Life insurance	-	-	-	-	-	20
						<hr/>
						£190
						<hr/>
Earned income	-	-	-	-	-	£250
<i>Less</i> allowances	-	-	-	-	-	190
						<hr/>
						£60
At 3s.	-	-	-	-	-	9 0s. 0d.
Unearned income £410 at 3s. 9d.	-	-	-	-	-	76 17s. 6d.
						<hr/>
Total tax payable	-	-	-	-	-	85 17s. 6d.
Tax deducted from dividends £350 at 6s.	105	0s.	0d.			
						<hr/>
Tax reclaimable	-	-	-	-	-	£19 2s. 6d.
						<hr/>

Year 1917-8. E, a widow, has taxed dividends £150, and owns her house assessed £30 net. She has two children.

Total income £180 ; allowances due :

Abatement	-	-	-	-	-	£120
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Two children	-	-	-	-	-	50
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£170

Total income	-	-	-	-	-	180
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£10

Tax payable at 3s.	-	-	-	-	-	1	10s.	0d.
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Tax deducted from dividends £150 at 5s.	-	-	-	-	-	37	10s.	0d.
---	---	---	---	---	---	----	------	-----

Tax reclaimable	-	-	-	-	-	£36	0s.	0d.
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In the above examples it has been assumed that no income tax has been paid beyond that deducted from the dividends. If tax has been paid on any other source of income, the amount repayable would be correspondingly increased.

APPENDIX.

RATES AND ALLOWANCES IN FORCE FOR THREE YEARS TO 5TH APRIL, 1920.

Total income from all sources not exceeding	£130	<i>exempt</i>	
" " " " exceeding	130	but	
not exceeding	400	— <i>abatement</i>	£120
" "	600	"	100
" "	700	"	70

Soldiers, Sailors and Airmen. Persons serving in the Army, Navy, Merchant Service and (for 1918-9) Air Force received special treatment as follows :

Total income from all sources not exceeding	£160	<i>exempt</i>	
" " " " exceeding	160	but not	
" "	300	— <i>abatement</i>	£160

Above £300 the general scale of abatements given above came into play.

Special rates of tax charged on *pay* received from the above sources :—

		s.	d.
Total income from all sources not exceeding	£300		9
" " " " " "	500	1	3
" " " " " "	1000	1	9
" " " " " "	1500	2	3
" " " " " "	2000	2	9
" " " " " "	2500	3	3
Total income from all sources exceeding	2500	3	6

Allowances (abatement, wife, children, life insurance, etc.) given from income other than pay, until such other income is exhausted.

	1917-8.	1918-9.	1919-20.
Child Allowance—	£	£	£
{ Income of parents not exceeding	700	800	800
{ Allowance for each child	25	25	First £40 Others £25
{ Income of parents not exceeding	—	1000	1000
{ Allowance for each child after first two	—	25	First £40 Others £25
* Wife Allowance	—	25	50
Housekeeper Allowance			
* Allowance to widower	—	25	50
		if with care of children	regardless of children
* Allowance to unmarried persons, if with care of brothers and sisters	—	—	50
* Dependant Relatives, each	—	25	25
Super-Tax charged on incomes over free of tax	3000 2500	2500 2000	2500 2000
	Earned s. d.	Un- earned s. d.	Earned s. d.
Rates of Income-Tax—			
Total income from all sources not exceeding			
£500	2 3	3 0	2 3
1000	2 6	3 6	3 0
1500	3 0	4 0	3 9
2000	3 8	4 6	4 6
2500	4 4	5 0	5 3
exceeding	5 0	5 0	6 0
			same as 1918-9.

* Allowed only if the total income of claimant does not exceed £800.

**Rates of Depreciation on Machinery and Plant agreed upon between
the Board of Inland Revenue and various Industries.**

Note. Except in the case of shipping, the allowances are all on the "written-down value," that is, the value after deduction of depreciation allowances previously made.

The allowance on ships is on the prime cost, with the addition of any expenditure on improvements, capital replacements (such as new boiler) or capital expenditure on the ship generally.

Industry, etc.	Rate per cent.	Nature of Plant.
Blast furnaces	6	Plant and machinery accessory to the furnace, including stoves but excluding structure of blast furnace itself.
Bleachers and finishers	7½	All plant.
Bookbinding	5 7½	Engines, boilers and shafting. General binding machinery.
Brick making plant and machinery and kilns	5 7½	Steam engines, boilers and shafting, and on mixing and brick-making machines. Electrical plant, <i>i.e.</i> dynamos, motors, transformers, etc., and on crushing and grinding plant. <i>Kilns.</i> No depreciation allowance, but renewals to be allowed.
Chemical manufacturers		See Sulphuric Acid Plant.
Clothing — manufacture of ladies' and children's light clothing	5 7½ 10	Engines, boilers and shafting. Electric motors. General machinery (process plant).
Dyers and finishers	7½	All plant.
Electric furnace users	12½	Furnaces, plant and machinery used in connection therewith, to

Industry, etc.	Rate per cent.	Nature of Plant.
Electric furnace users — <i>Continued</i>		apply to all parts of the furnace, including transformers, switch gear, high and low tension cable connections, furnaces, tilting gear and regulators ; but not to apply to foundations, buildings, cranes, buckets or any shop tools or equipment.
Electric light undertakings	3 5	Cables. Plant and machinery.
Flax spinning and linen weaving (Ireland)	7½	Machinery and plant (except accessory plant, such as pirns, pirn cages, spools, belting, driving ropes, damask cards, designs, patterns, models, furniture and fixtures).
Flock manufacturers	6	All plant.
Flour milling	5 7½	Engines, boilers and main shafting. Other machinery.
Gas undertakings other than those owned by municipal or other public authorities	3 10	Gasholders. Meters, cookers and gas fires.
Handkerchief and embroidery	5 10	Fixed plant. Stitching machines.
Hosiery manufacturers (West of Scotland)	5 10	Engines, boilers and shafting. Process plant.
Hosiery needles, manufacturers of	5 7½ 10	Steam and gas engines, boilers and shafting. Electric motors. Process (or manufacturing) machinery.

Industry, etc.	Rate per cent.	Nature of Plant.
Lace manufacturers (Scotland)	7½	All plant.
Linoleum and floor-cloth manufacturers	5 7½ 10	Fixed plant. Other plant. Diesel engines.
Motor omnibus proprietors	20	Motor omnibuses.
Paper bag manufacturers	5 7½ 20	Engines, boilers and shafting. General plant and machinery and electric motors. Motor vans.
Paper box manufacturers	7½ 20	Plant and machinery. Motor vans.
Paper mills	5 7½	Machinery working day only. Machinery working day and night.
Printing	5 7½ 10	Engines, boilers and shafting. Printing and binding machines. Type.
Railway wagon proprietors	5	Railway wagons.
Shipowners	4 3	Steamships (calculated on prime cost). Sailing vessels (calculated on prime cost). With regard to ships <i>purchased at secondhand</i> at prices in excess of the written-down value at the date of purchase, the following arrangements have recently been made: (a) The allowance is made on the actual cost price of the ship to

Industry, etc.	Rate per cent.	Nature of Plant.
Shipowners— <i>Cont.</i>		the owner for the time being without regard to the prime cost to a previous owner. (b) The rate of depreciation allowable is calculated by reference to the reasonable expectation of the life of the ship at the date of purchase from the previous owner.
Shoe and slipper manufacturers	5 10 20	Heavy machinery (engines, boilers and shafting). Manufacturing machinery. Motor vans and lorries.
Silk manufacturers (natural or artificial, including materials consisting partly of silk and partly of wool and/or cotton)	5 7½ 10	Steam engines, boilers and shafting. General plant and machinery (including winding, throwing, doubling and weaving machinery), and on electric motors. Sewing, braiding and knitting machinery.
Steam laundries, dyers and cleaners	7½ 20	General plant and machinery. Motor vans.
Steel manufacturers	5	Machinery and plant used in the manufacture of steel.
Steel nail manufacturers	5	All plant.
Sulphuric acid and other chemical manufacturers	15 7½ 7½ 5	Plant used in the manufacture of sulphuric acid. Chemical plant other than sulphuric acid plant. Electric plant if any. Other plant.

Industry, etc.	Rate per cent.	Nature of Plant.
Timber merchants, saw millers and manufacturers of timber goods	5	Engines, boilers and main shafting.
	7½	General sawmilling plant and machinery.
	20	Traction-engines, tractors, motor cars and haulage plant.
Trade hemstitchers	5	Fixed plant.
	10	Other plant.
Tramways	3	Cables.
	7	Cars and other rolling stock.
	5	General plant and machinery, including standards, brackets, and workshop tools.
Wrought iron manufacturers	7½	All plant.

In many of the above cases additional allowances have been agreed to meet exceptional wear and tear due to war conditions. These additional allowances are usually one-half the above (normal) rates, though the additional allowance on steel works plant was agreed at 10 per cent.

INCOME-TAX TABLES

In using these tables, the following points should be remembered :

Life Insurance Premiums. Where these are paid, the amounts payable will be correspondingly reduced (see p. 51).

Composite Incomes partly earned and partly investment. Deduct one-tenth of earned income from total income (maximum deduction £200) and refer to investment income column, which will give tax payable. *Example* : A, bachelor, has salary £200 and house £60. Total income £260 less £20 (one-tenth of £200) = £240. Tax £15, 15s. (p. 132).

Income Taxed by Deduction. Where tax is deducted at 6s. and the taxpayer is liable at 3s. only, the difference will be adjusted as far as possible against direct assessments on the taxpayer, so that the total tax borne by him is the amount shown in the tables.

" Assessable income " pays the same tax as investment income of the same amount.

INCOME-TAX PAYABLE BY MARRIED PERSONS, 1920-1921 AND 1921-1922.

(WIFE HAVING NO EARNED INCOME).

	NO CHILDREN.				ONE CHILD.				TWO CHILDREN.			
	Earned.		Investment.		Earned.		Investment.		Earned.		Investment.	
	£	s.	£	d.	£	s.	£	d.	£	s.	£	d.
Incomes exempt up to	250		225						320		288	
Then 3/- on each £* up to	500		450		290		261		570		513	
6/- on each further £*					540		486					
Income of £240 pays	Nil		2	5	Nil		Nil		Nil		Nil	
260	1	7	5	5	"		"	17	"		"	
280	4	1	8	5	"		2	17	"		"	
300	6	15	11	5	1	7	5	17	"		1	16
320	9	9	14	5	4	1	8	17	"		4	16
340	12	3	17	5	6	15	11	17	"	14	7	16
360	14	17	20	5	9	9	14	17	2	8	10	16
380	17	11	23	5	12	3	17	17	5	2	13	16
400	20	5	26	5	14	17	20	17	8	16	16	16
420	22	19	29	5	17	11	23	17	10	16	19	16
440	25	13	32	5	20	5	26	17	13	10	22	16
460	28	7	36	15	22	19	29	17	16	4	25	16
480	31	1	42	15	25	13	32	17	18	18	28	16
500	33	15	48	15	28	7	37	19	21	12	31	16
520	39	3	54	15	31	1	43	19	24	6	35	17

540	44	11	60	15	33	15	49	19	29	14	41	17
560	49	19	66	15	39	3	55	19	32	8	47	17
580	55	7	72	15	44	11	61	19	36	9	53	17
600	60	15	78	15	49	19	67	19	41	17	59	17
620	66	3	84	15	55	7	73	19	47	5	65	17
640	71	11	90	15	60	15	79	19	52	13	71	17
660	76	19	96	15	66	3	85	19	58	1	77	17
680	82	7	102	15	71	11	91	19	63	9	83	17
700	87	15	108	15	76	19	97	19	68	17	89	17
720	93	3	114	15	82	7	103	19	74	5	95	17
740	98	11	120	15	87	15	109	19	79	13	101	17
760	103	19	126	15	93	3	115	19	85	1	107	17
780	109	7	132	15	98	11	121	19	90	9	113	17
800	114	15	138	15	103	19	127	19	95	17	119	17
850	128	5	153	15	117	9	142	19	109	7	134	17
900	141	15	168	15	130	19	157	19	122	17	149	17
950	155	5	183	15	144	9	172	19	136	7	164	17
1000	168	15	198	15	157	19	187	19	149	17	179	17
1100	195	15	228	15	184	19	217	19	176	17	209	17
1200	222	15	258	15	211	19	247	19	203	17	239	17
1400	276	15	318	15	265	19	307	19	257	17	299	17
1600	330	15	378	15	319	19	367	19	311	17	359	17
1800	384	15	438	15	373	19	427	19	365	17	419	17
2000	438	15	498	15	427	19	487	19	419	17	479	17
3000	738	15	798	15	727	19	787	19	719	17	779	17

* These rates are charged on nine-tenths of *earned* income, up to £2000 earned income.

INCOME-TAX PAYABLE BY MARRIED PERSONS, 1920-1921 AND 1921-1922.

(WIFE HAVING NO EARNED INCOME).

	THREE CHILDREN.				FOUR CHILDREN.				FIVE CHILDREN.			
	Earned.		Investment.		Earned.		Investment.		Earned.		Investment.	
	£	s.	£	d.	£	s.	£	d.	£	s.	£	d.
Incomes exempt up to	350		315		380		342		410		369	
Then 3/- on each £* up to	600		540		630		567		660		594	
6/- on each further £*	Nil				Nil		Nil		Nil		Nil	
Income of £340 pays	1	7	3	15			2	14	Nil			
360	4	1	6	15			5	14	"		"	1
380	6	15	12	15		14	8	14	"		4	13
400	9	9	15	15		8	11	14	"	7	7	13
420	12	3	18	15		2	14	14	"	10	10	13
440	14	17	21	15		16	17	14	"	13	13	13
460	17	11	24	15		10	20	14	"	16	16	13
480	20	5	27	15		13	23	14	"	19	19	13
500	22	19	30	15		16	26	14	"	22	22	13
520	25	13	33	15		18	29	14	"	25	25	13
540	28	7	39	15		21	32	14	"	28	28	13
560	31	1	45	15		24	37	13	"	31	31	13
580	33	15	51	15		27	43	13	"	35	35	11
600	39	3	57	15		32	49	13	"	41	41	11

640	44	11	63	15	36	9	55	13	31	1	47	11
660	49	19	69	15	41	17	61	13	33	15	53	11
680	55	7	75	15	47	5	67	13	39	3	59	11
700	60	15	81	15	52	13	73	13	44	11	65	11
720	66	3	87	15	58	1	79	13	49	19	71	11
740	71	11	93	15	63	9	85	13	55	7	77	11
760	76	19	99	15	68	17	91	13	60	15	83	11
780	82	7	105	15	74	5	97	13	66	3	89	11
800	87	15	111	15	79	13	103	13	71	11	95	11
820	93	3	117	15	85	1	109	13	76	19	101	11
840	98	11	123	15	90	9	115	13	82	7	107	11
860	103	19	129	15	95	17	121	13	87	15	113	11
880	109	7	135	15	101	5	127	13	93	3	119	11
900	114	15	141	15	106	13	133	13	98	11	125	11
920	120	3	147	15	112	1	139	13	103	19	131	11
940	125	11	153	15	117	9	145	13	109	7	137	11
960	130	19	159	15	122	17	151	13	114	15	143	11
980	136	7	165	15	128	5	157	13	120	3	149	11
1000	141	15	171	15	133	13	163	13	125	11	155	11
1200	195	15	231	15	187	13	223	13	179	11	215	11
1400	249	15	291	15	241	13	283	13	233	11	275	11
1600	303	15	351	15	295	13	343	13	287	11	335	11
1800	357	15	411	15	349	13	403	13	341	11	395	11
2000	411	15	471	15	403	13	463	13	395	11	455	11
3000	711	15	771	15	703	13	763	13	695	11	755	11

* These rates are charged on nine-tenths of *earned* income, up to £2000 earned income.

**INCOME TAX PAYABLE BY SINGLE PERSONS,
AND WIDOWERS AND WIDOWS WITHOUT CHILDREN, 1920-1921 AND 1921-1922.**

	NO DEPENDANTS.				ONE DEPENDANT.				TWO DEPENDANTS.			
	Earned.		Investment.		Earned.		Investment.		Earned.		Investment.	
	£	s.	£	s.	£	s.	£	s.	£	s.	£	s.
Incomes exempt up to	150		135		177	15	160		205	10	185	
Then 3/- on each £* up to	400		360		427	15	385		455	10	410	
6/- on each further £*												
Income of £150 pays	Nil		2	5	Nil		Nil		Nil		Nil	
160	1	7	3	15	"		"	1	"		"	
170	2	14	5	5	"		"	10	"		"	
180	4	1	6	15		6			"		"	
190	5	8	8	5	1	13	4	10	"		"	
200	6	15	9	15	3		6		"		"	
220	9	9	12	15	5	14	9		"	19	2	15
240	12	3	15	15	8	8	12		1	13	5	5
260	14	17	18	15	11	2	15		4	7	8	5
280	17	11	21	15	13	16	18		7	11	11	5
300	20	5	24	15	16	10	21		10	1	14	5
320	22	19	27	15	19	4	24		12	15	17	5
340	25	13	30	15	21	18	27		15	9	20	5
360	28	7	33	15	24	12	30		18	3	23	5
380	31	1	39	15	27	6	33		20	17	26	5
									23	11	29	5

400	33	15	45	15	30	14	38	5	26	5	32	5
420	39	3	51	15	32	1	44	5	28	19	36	15
440	44	11	57	15	37	9	50	5	31	13	42	15
460	49	19	63	15	42	17	56	5	34	19	48	15
480	55	7	69	15	47	5	62	5	40	7	54	15
500	60	15	75	15	53	13	68	5	45	15	60	15
520	66	3	81	15	58	1	74	5	51	3	66	15
540	71	11	87	15	64	9	80	5	56	11	72	15
560	76	19	93	15	69	17	86	5	61	19	78	15
580	82	7	99	15	74	5	92	5	67	7	84	15
600	87	15	105	15	80	15	98	5	72	15	90	15
650	101	5	120	15	93	15	113	5	86	5	105	15
700	114	15	135	15	107	5	128	5	99	15	120	15
750	128	5	150	15	120	15	143	5	113	5	135	15
800	141	15	165	15	134	5	158	5	126	15	150	15
850	155	5	180	15	147	15	173	5	140	5	165	15
900	168	15	195	15	161	5	188	5	153	15	180	15
950	182	5	210	15	174	15	203	5	167	5	195	15
1000	195	15	225	15	188	5	218	5	180	15	210	15
1200	249	15	285	15	242	5	278	5	234	15	270	15
1400	303	15	345	15	296	5	338	5	288	15	330	15
1600	357	15	405	15	350	5	398	5	342	15	390	15
1800	411	15	465	15	404	5	458	5	396	15	450	15
2000	465	15	525	15	458	5	518	5	450	15	510	15
3000	765	15	825	15	758	5	818	5	750	15	810	15

* These rates are charged on nine-tenths of *earned* income, up to £2000 earned income.

520	41	17	57	9	33	15	49	7	29	14	41	5
540	47	5	63	9	39	3	55	7	32	8	47	5
560	52	13	69	9	44	11	61	7	36	9	53	5
580	58	1	75	9	49	19	67	7	41	17	59	5
600	63	9	81	9	55	7	73	7	47	5	65	5
620	68	17	87	9	60	15	79	7	52	13	71	5
640	74	5	93	9	66	3	85	7	58	1	77	5
660	79	13	99	9	71	11	91	7	63	9	83	5
680	85	1	105	9	76	19	97	7	68	17	89	5
700	90	9	111	9	82	7	103	7	74	5	95	5
720	95	17	117	9	87	15	109	7	79	13	101	5
740	95	5	123	9	93	3	115	7	85	1	107	5
760	101	5	129	9	98	11	121	7	90	17	113	5
780	106	13	135	9	103	19	127	7	95	17	119	5
800	112	1	141	9	109	7	133	7	101	5	125	5
850	117	9	156	9	122	17	148	7	114	15	140	5
900	130	19	171	9	136	7	163	7	128	5	155	5
950	144	9	186	9	149	17	178	7	141	15	170	5
1000	157	19	201	9	163	7	193	7	155	5	185	5
1100	171	9	231	9	190	7	223	7	182	5	215	5
1200	198	9	261	9	217	7	253	7	209	5	245	5
1400	225	9	321	9	271	7	313	7	263	5	305	5
1600	279	9	381	9	325	7	373	7	317	5	365	5
1800	333	9	441	9	379	7	433	7	371	5	425	5
2000	387	9	501	9	433	7	493	7	425	5	485	5
3000	441	9	801	9	733	7	793	7	725	5	785	5

* These rates are charged on nine-tenths of *earned* income, up to £2000 earned income.

SUPER-TAX TABLES.

Income.	1918-19 and 1919-20.			1920-21 and 1921-22.			1918-19 and 1919-20.			1920-21 and 1921-22.		
	Tax payable.		Rate per £.	Tax payable.		Rate per £.	Tax payable.		Rate per £.	Tax payable.		Rate per £.
	£	s.		£	s.		£	s.		£	s.	
£2,000	Nil			Nil			£6,700			677	10	
2,100	"			7	10		6,800			697	10	
2,200	"			15			6,900			717	10	
2,300	"			22	10	1/6	7,000			737	10	
2,400	"			30			7,100			760		
2,500	"			37	10		7,200			782	10	
2,600	32	10		47	10		7,300			805		
2,700	40			57	10		7,400			827	10	
2,800	47	10	1/6	67	10		7,500			850		
2,900	55			77	10	2/-	7,600			872	10	
3,000	62	10		87	10		7,700			895		
3,100	72	10		100			7,800			917	10	
3,200	82	10		112	10		7,900			940		
3,300	92	10		125			8,000			962	10	
3,400	102	10		137	10		8,100			987	10	
3,500	112	10		150			8,200			1,012	10	
3,600	122	10	2/-	162	10	2/6	8,300			1,037	10	
3,700	132	10		175			8,400			1,062	10	
3,800	142	10		187	10		8,500			1,087	10	
3,900	152	10		200			8,600			1,112	10	
4,000	162	10		212	10		8,700			1,137	10	

4,100	175	10	227	10	8,800	947	10	1,162	10
4,200	187	10	242	10	8,900	967	10	1,187	10
4,300	200	10	257	10	9,000	987	10	1,212	10
4,400	212	10	272	10	9,100	1,007	10	1,237	10
4,500	225	10	287	10	9,200	1,027	10	1,262	10
4,600	237	10	302	10	9,300	1,047	10	1,287	10
4,700	250	10	317	10	9,400	1,067	10	1,312	10
4,800	262	10	332	10	9,500	1,087	10	1,337	10
4,900	275	10	347	10	9,600	1,107	10	1,362	10
5,000	287	10	362	10	9,700	1,127	10	1,387	10
5,100	302	10	380	10	9,800	1,147	10	1,412	10
5,200	317	10	397	10	9,900	1,167	10	1,437	10
5,300	332	10	415	10	10,000	1,187	10	1,462	10
5,400	347	10	432	10	11,000	1,412	10	1,712	10
5,500	362	10	450	10	12,000	1,637	10	1,962	10
5,600	377	10	467	10	13,000	1,862	10	2,212	10
5,700	392	10	485	10	14,000	2,087	10	2,462	10
5,800	407	10	502	10	15,000	2,312	10	2,712	10
5,900	422	10	520	10	16,000	2,537	10	2,962	10
6,000	437	10	537	10	17,000	2,762	10	3,212	10
6,100	455	10	557	10	18,000	2,987	10	3,462	10
6,200	472	10	577	10	19,000	3,212	10	3,712	10
6,300	490	10	597	10	20,000	3,437	10	3,962	10
6,400	507	10	617	10	30,000	5,687	10	6,712	10
6,500	525	10	637	10	50,000	10,187	10	12,712	10
6,600	542	10	657	10	100,000	21,437	10	27,712	10

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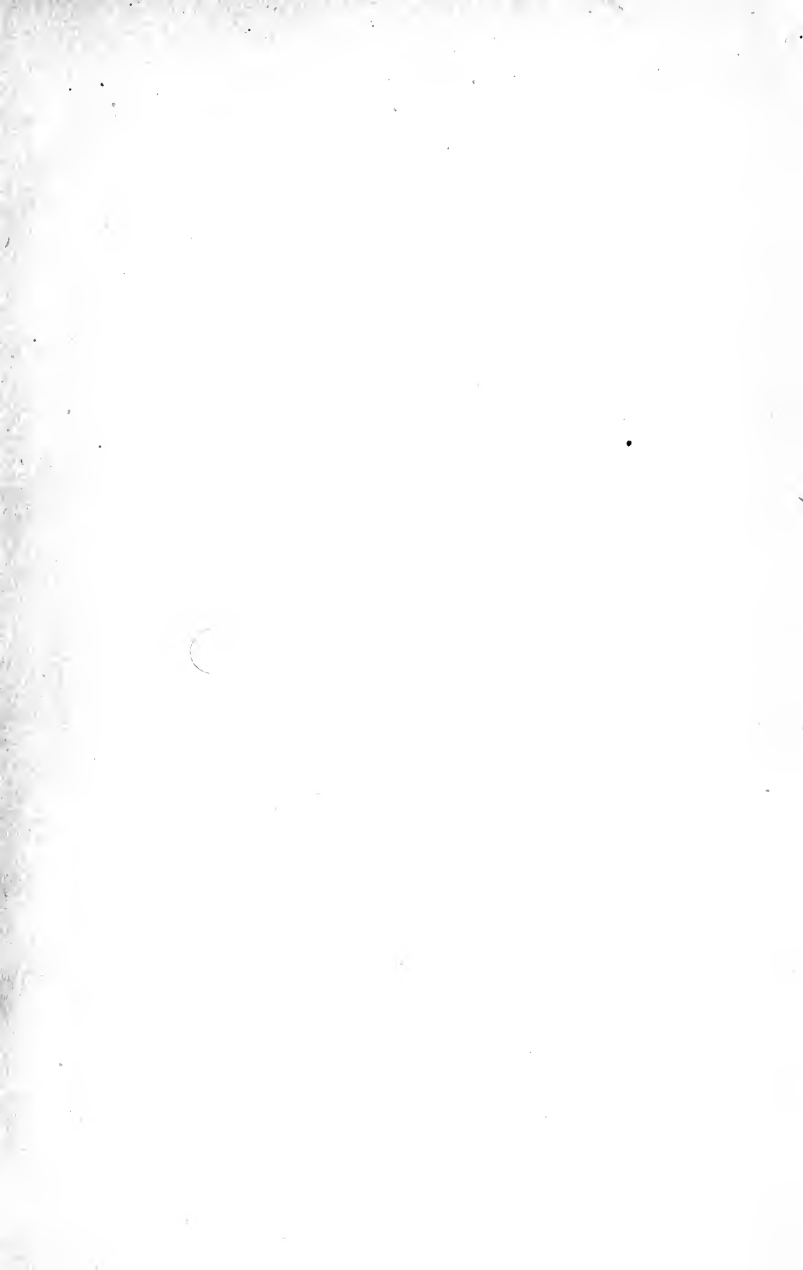
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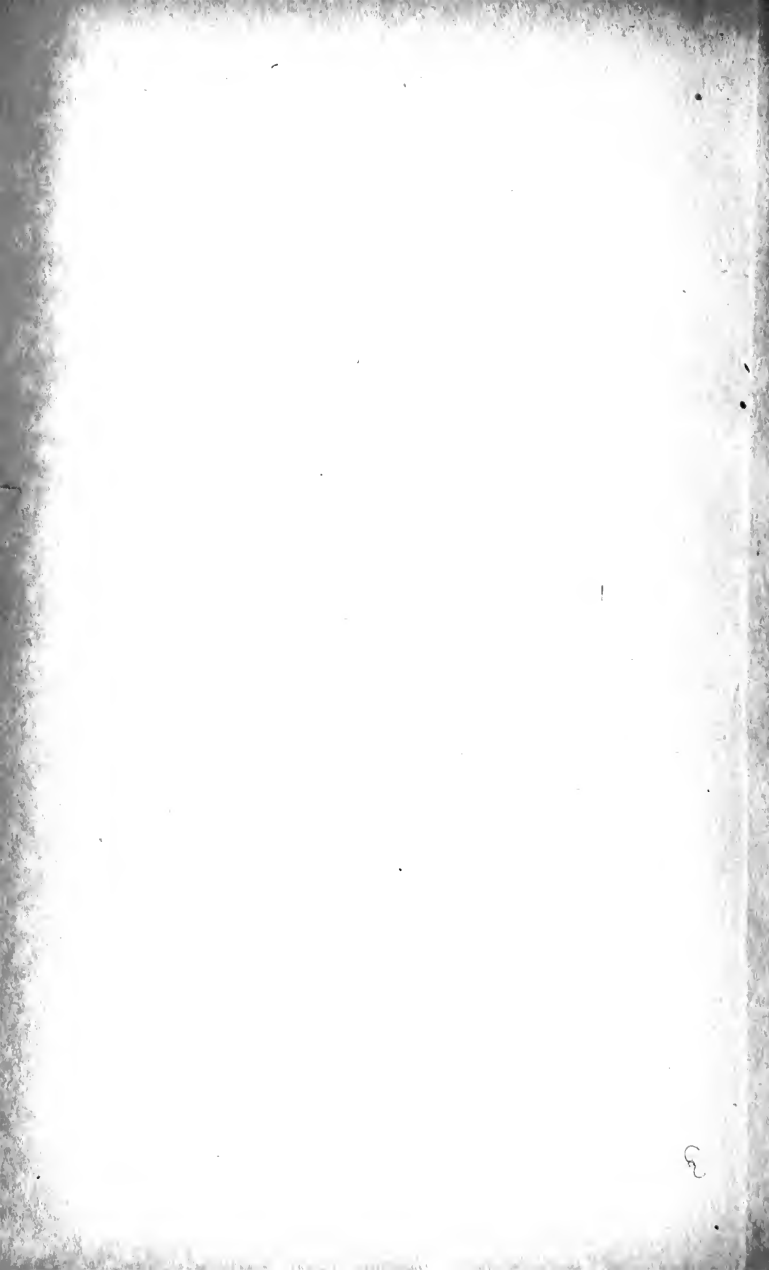
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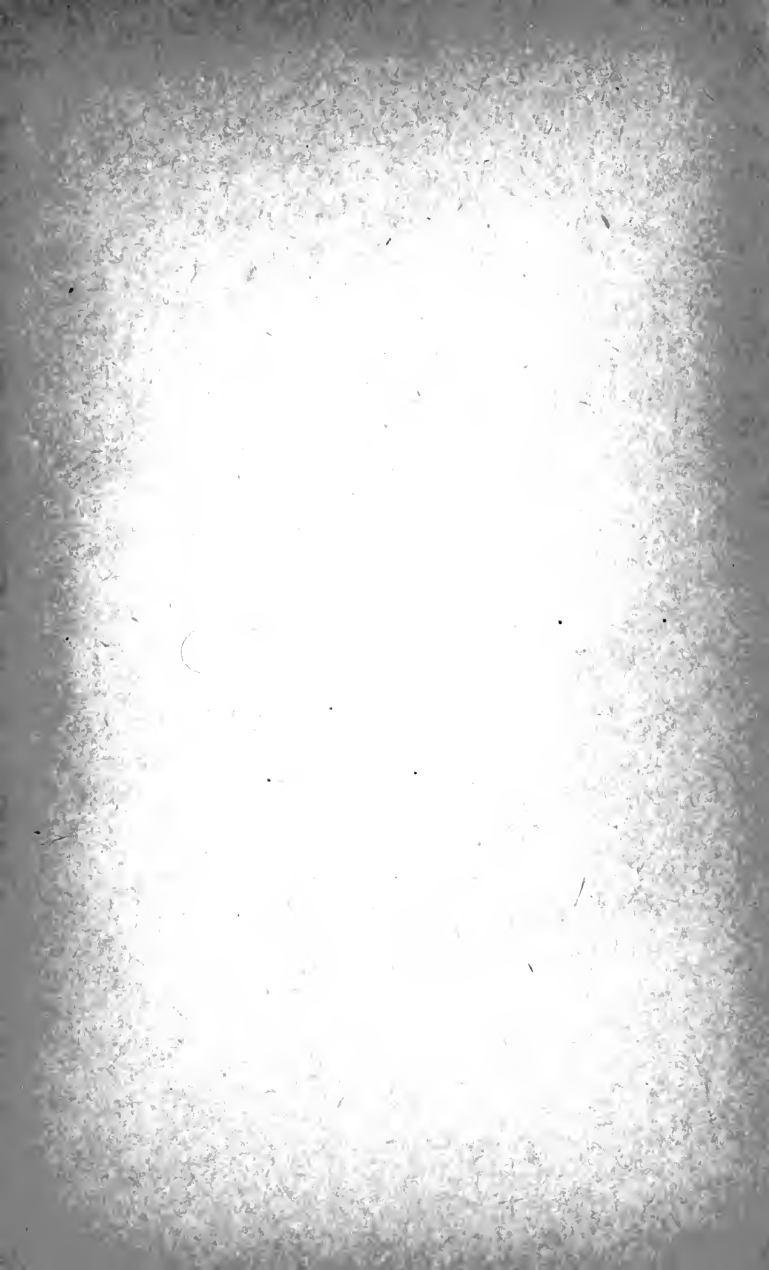
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